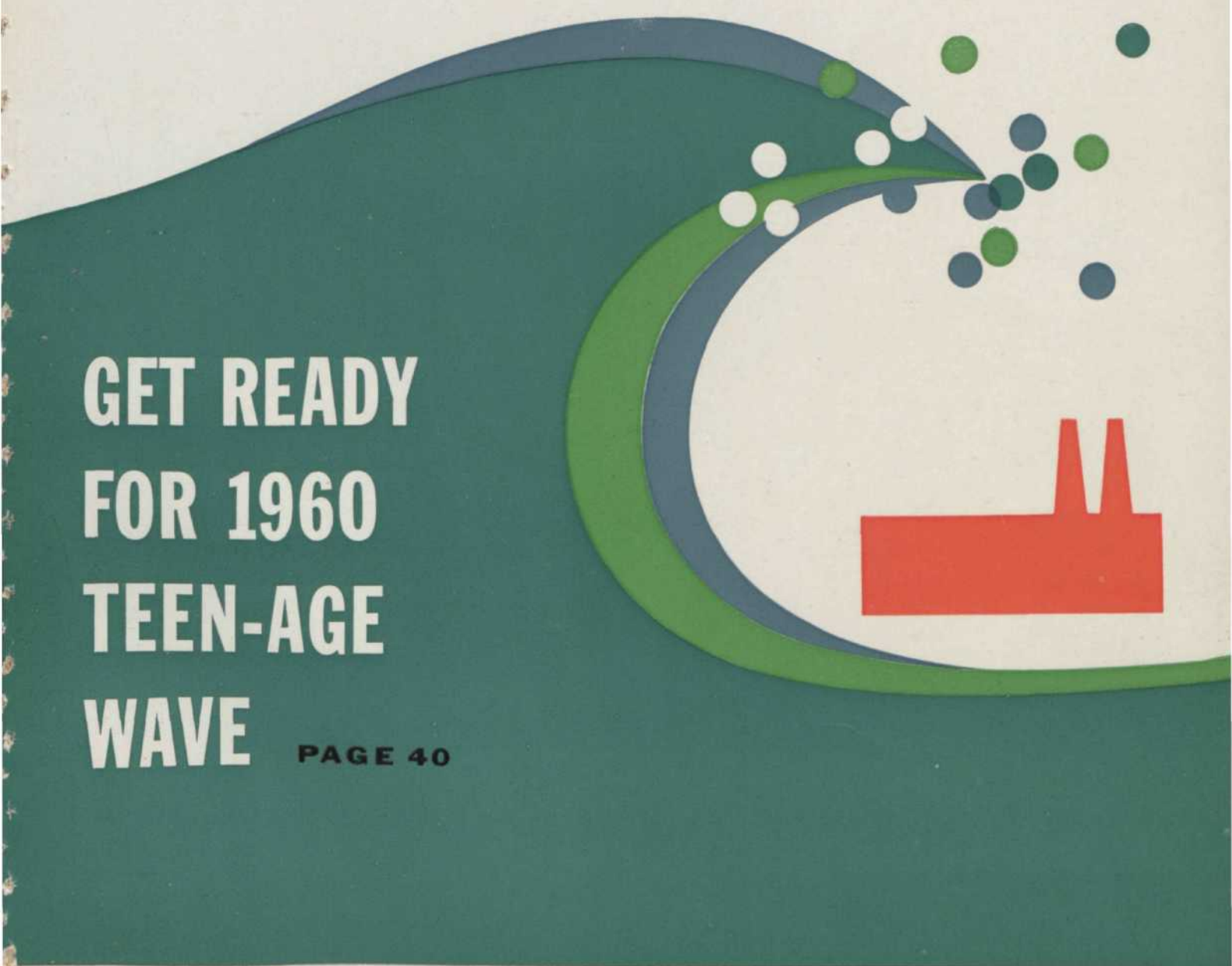


# Nation's Business

A USEFUL LOOK AHEAD

JUNE 1957



## GET READY FOR 1960 TEEN-AGE WAVE

PAGE 40

## Changing channels of distribution

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Why federal spending grows

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How to simplify a problem

PAGE 70

Harder labor drive coming

PAGE 29



Formbrite, Anaconda's superfine-grain brass, gives Huntercraft Originals a superior gleam with less polishing.

## A new Anaconda brass helps a small business shine



Mr. Hunter gages coil of Formbrite drawing brass.

**THE PROBLEM:** People liked the brassware that Ralph Hunter turned out in his basement hobby shop. So five years ago, the hobby became a business, Hunter Machine Service Company of Racine, Wisc. The line of brassware grew and became Huntercraft Originals. But as the number of employees increased, costs grew, too. The fine jeweler's finish that made the pieces gleam took too much time to produce on regular draw-

ing brass. The small company found it difficult to meet competition.

**THE SOLUTION:** In 1953, Mr. Hunter learned about Formbrite®, Anaconda's new drawing brass. He heard that its superfine grain would substantially reduce polishing operations and, at the same time, provide a harder, more scratch-resistant surface. He tried it and the polishing bottleneck was broken. Costs went way down. In fact, Mr. Hunter says Formbrite was a major factor in keeping the small company alive—and has enabled it to go on to become

a stable, growing business now operating on a national scale.

**THE FUTURE:** Superior products like Formbrite—and Duraflex®, a superfine-grain phosphor bronze that's more resistant to fatigue—typify ways in which Anaconda and its fabricating companies, The American Brass Company and Anaconda Wire & Cable Company, are helping businesses, small and large, make better products at lower cost. Whatever your special problem, see the *Man from Anaconda*. The Anaconda Company, 25 Broadway, New York 4, N. Y. 57254

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Dallas to Washington, D. C.	\$1.20	50¢
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Add 10% federal excise tax



# Nation's Business

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Published by the Chamber of Commerce of the United States  
Washington, D.C.

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Congressional committees might better look into why profits are falling than try to stifle growth which benefits all

Nation's Business is published monthly at 1615 H St. N. W., Washington 6, D. C. Subscription price \$18 for three years. Printed in U.S.A. Entered as second-class matter March 20, 1920, at the post office at Washington, D. C. Copyright, 1957, by Nation's Business—the Chamber of Commerce of the United States. Nation's Business is available by subscription only.



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"Looks

LANCELOT



like things have gone to the dogs, Lancelot!"

**Lancelot:** I'm afraid so, boss.

**Man:** But why?

**Lancelot:** Don't you know?

**Man:** All I know is I left the family a mighty prosperous business.

**Lancelot:** Boss, remember when you and I walked over to the office of that insurance man? The one from Equitable?

**Man:** Oh, my goodness!

**Lancelot:** And boss, do you remember what he said about that new kind of Equitable business insurance?

**Man:** Oh my!

**Lancelot:** How, between you and the lawyer and this policy, we'd have enough money to pay inheritance taxes without having to sell the business? You said you'd call him the next day.

**Man:** Oh!

**Lancelot:** We had to sell the business—and at a big loss, at that—to get the money to pay those taxes.

**Man:** What can I do to make things right, Lancelot?

**Lancelot:** It's what you *could* have done, boss.

**Man:** Call the Man from Equitable?

**Lancelot:** It would have made all the difference.

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by Equitable



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## we need a better bucket!

Nature is lavish with rain. But careless of where she distributes it. Of every 20 raindrops that fall, only one is for us. The rest run out of reach into streams, rivers, percolate into the ground, evaporate. This is one reason why a quarter of our American population today faces actual water shortage or water of poor quality. Since we cannot increase rainfall, let's make the most of what we have. You can help.

1. Encourage future planning of water facilities.
2. Support realistic water rates and water supply bond issues.
3. Conserve water wherever you can.

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Divide the cost of cast iron by its life expectancy. Easy to understand why this most dependable of all pipe is called America's Number One Tax Saver.



# management's WASHINGTON LETTER

►TAX CUTS ARE OUT for this year. But outlook brightens for next year.

Heavier-than-expected spending has bogged down lawmakers' drive to make cuts this year.

High spending forced President to hint of veto for tax cut measure now.

Postponement gives politicians time to consider economic effects.

Gives more weight to joint committee that this month studies tax cut impact on "sound economic growth," sound fiscal policy.

►HERE'S BEST GUESS on what will happen next year:

Congress will have sliced about \$3 billion from fiscal '58 budget. May have estimate of higher future revenue.

With months to plan, there's less chance of hasty political decision.

Though low-bracket taxpayers will be first in mind of tax-cutters, there's more chance of cuts for small business, maybe everybody else.

Cuts voted will probably be effective on 1958 income.

►WILL CONGRESS CUT MUCH from 1958 spending proposals?

Watch Senate action during coming month for answer.

More senators are talking firmly about reductions.

Senate usually restores some cuts made by House of Representatives.

But this year you can expect Senate to go along with most reductions.

Are budget cuts real?

Feeling in Washington now is that most of them are.

Will Congress have to vote supplemental appropriations later?

Yes--in some cases agencies will run out of funds before fiscal year ends.

Post Office did recently, may do so again.

Same happens to other agencies--with less direct impact on public than Post Office has.

►TAXPAYER CONCERN GROWS over that part of budget not related to national defense--in spite of President's appeals. Reason:

Although higher national defense costs are blamed for rising spending, fact is

that other government spending is soaring also.

Major national defense for year just ahead is expected to cost about \$2.9 billion more than 1956.

Meanwhile, Administration expects to spend about \$3.3 billion more for labor and welfare programs.

►BUSINESS OUTLOOK FOR REMAINDER of 1957 appears high plateauish.

Term is used both by government, private economists in Washington to indicate high level of business activity for months ahead.

Feeling is growing that gross national product may climb above \$440 billion rate by year's end.

It's near \$430 billion now, averaged \$412.4 billion last year.

Note: About half the year's increase is expected to be caused by creeping inflation.

►ARE BUSINESSMEN VIOLATING economic law of supply and demand by fixing prices?

Senate committee thinks so.

Wrongdoing?

Committee says it has no evidence--yet.

But it's looking.

Group will start investigation this month into what it calls administered prices--i.e., prices fixed by leader of an industry.

Industries can do this, critics will contend, because of bigness.

That's view of Senator Kefauver, who will head inquiry.

NATION'S BUSINESS interviewed Senator Kefauver, staff directors, on investigation plans. See page 52.

►CONGLOMERATE MERGERS WILL make Capitol Hill news this summer.

Definition: Mergers where one corporate structure contains variety of subsidiary activities which have no relation to one another.

Senator Kefauver's antitrust group will tackle this topic after it finishes with administered prices.

Note: Committee's looking for news-making examples, has none yet.

►FREEDOM DAY FOR CORPORATIONS will be July 6. That's theoretical date on



which corporations can start working for their owners.

On the average, industry will have to work until then to pay federal taxes for 1957.

What is this year's federal tax bill for businesses?

Treasury's counting on getting about \$22 billion--out of \$43 billion net earnings.

Corporate earnings after July 6 can be divided between state, local governments, used for expansion, shared with about 10 million Americans who own stock in U. S. firms.

Note: State, local tax bill on corporate earnings will go up about \$100 million this year--to new high of about \$1.1 billion.

►OUTLOOK FOR PROFIT margin is still cloudy for many industries.

Figures by President's Council of Economic Advisers show:

Profit squeeze is growing tighter--over long run.

Gross private product--total goods, services excluding government--rose by \$112 billion during past 6 years.

Compensation to employees rose \$86 billion.

But profits after taxes dropped by \$600 million.

►REMEMBER THIS WORD--Gosplan.

That's Russian term for Soviet State Planning Commission, top economic bureau of Red heartland.

Washington hears Gosplan will assume increasing power in U.S.S.R. in coming months.

Reason:

Russia is shaking up, decentralizing her economic ministries in effort to achieve greater production, efficiency.

News of this move was reported first in NATION'S BUSINESS.

See April issue--"Reds Grabbing Your Business Know-How."

►AFL-CIO INSIDERS say impact of Senate labor racketeering investigations is cutting deeper than labor will admit.

Besides worker resistance to joining up, they say, employers are showing more backbone in bargaining.

Union employee grievances are harder to settle.

►PART-TIME WORKERS will be at a premium this summer.

If you need them for your business, check with your local public employment office.

There is a new program--aided by civic organizations in many communities--for placing youngsters in jobs.

Last year this program made more than 100,000 teen-agers available daily for agricultural employment alone.

Scarcity of youngsters reflects low depression birth rate, booming demand for part-timers in seasonal jobs.

Note: New U. S. employment peak will be reached in July or August. Labor Department officials expect figure to be 68 million.

►RESEARCH STREAKS AHEAD in race with nation's rapid growth.

Spending in past 6 years exceeds all spending for research in previous 180 years.

Estimated outlay for 1957:  
\$6.3 billion.

National Science Foundation, in Washington, considers new study of size, scope of research effort.

This much is known:

More than 500,000 persons are now directly engaged in research work.

Aircraft and electrical equipment industries are the biggest spenders for over-all research and development.

Chemicals, allied products are biggest spenders for basic research--critical soft spot in national drive.

For analysis of management problems resulting from soaring research effort see page 96.

►WHERE DOES RESEARCH go from here?

NATION'S BUSINESS asked one of nation's leading research experts.

He's Dr. C. G. Suits, vice president, director of research for General Electric.

Dr. Suits says 4 frontiers bear watching, could have impact on many businesses.

These are:

Superpressure--That's transformation of substances through enormous pressure,



# management's WASHINGTON LETTER

high temperature. Man-made diamonds are one example.

Polymer synthesis--That's mixing molecules of elements to get synthetics--plastics, etc. Future promises more of this.

Atomic energy--You've heard much of how it is reshaping power industry.

Ferromagnetism--This involves new kinds of magnetic materials--some already in use in communications industry.

►WASHINGTON TRENDS: Local governments in U. S. now number 102,304.

Add federal government, 48 states and number's now 102,353--compared with 116,743 in 1952.

Census Bureau survey finds number of government units in U. S. has dropped 34 per cent since 1942.

Total decline was 52,800.

Consolidation of school districts accounts for most of it.

Note: In 1942 America had 16,220 municipalities.

Now there are 17,167.

- - -

Department of Commerce:

Plant construction is up 18 per cent over last year's dip. Hospital, institutional building is up 41 per cent. But some of gain reflects price hikes.

Residential building--half of all private construction--is down 9 per cent, which pulls all private building below last year.

Only public construction--schools, water systems, etc.--gaining over '56.

- - -

Department of Labor:

Survey of employment in state, local governments shows payrolls climbing.

Cost per month: About \$1.7 billion.

Persons on payrolls: 5.2 million.

- - -

Department of Interior:

Watch for long-awaited, long-range program for helping domestic mining industry to be made public within a month.

Program may stir controversy concerning subsidies, tariffs, quotas, special tax benefits.

►SUMMER VACATIONS will mean business for you.

Best guess:

More than 81 million vacationers will

tour America before year's end, spend \$17 billion.

National parks will be most popular tourist haunt. More than 54 million persons visited them last year.

New York gets biggest slice of tourist melon--\$2.2 billion in 1956.

New Jersey, Florida, Pennsylvania are not far behind.

►UNEMPLOYMENT INSURANCE payments have reached new peak, head higher still.

Average idle pay from employer-paid state insurance is \$27.85 a week.

National average compares with \$27.06 year ago, \$25.08 per week 2 years ago.

Benefits exceeded \$1.4 billion last year, or \$30 million higher than '55.

Already this year 11 states have boosted maximum weekly benefits, 3 have lengthened duration of payments.

In 8 states, coverage is being extended to include state and local government employees.

New trend:

To fix maximum weekly benefits as percentage of state-wide average pay for previous year.

That way, benefit payments will rise as wages go up, thus eliminating some of the biennial drives in state legislatures to boost benefits.

Wyoming this year joined Utah, Kansas in making maximum benefit a percentage of average pay.

Percentage? 55.

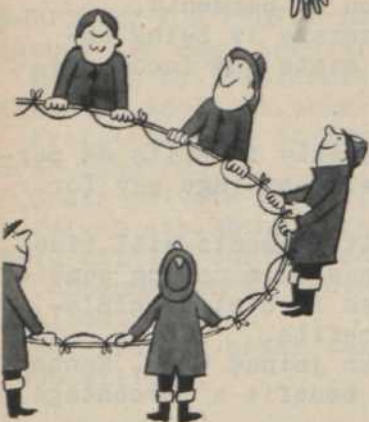
►LOOK FOR: Federal cost for major national defense to keep on climbing in months ahead. Spending's now at annual rate of more than \$41 billion. It could pass \$43 billion by end of 1957....

Federal Reserve index of industrial production to hold about even during second quarter, then rise again during second half. Index now is about 146. It'll probably pass 147 by the end of the year....

Nation's total personal income to reach annual rate of about \$347 billion by fourth quarter. Annual rate's now about \$338 billion....

Personal savings to rise a little, then drop off in later months. Annual rate's expected to climb to about \$22 billion by midyear, go back to current \$20 billion rate later.





Would you sell your business building, furniture and fixtures for the amount of insurance you carry? No? Then you're not adequately protected in event of loss. The same applies to your home and household contents. To make sure you're up-to-date, call an agent representing one of the Phoenix of Hartford insurance companies.

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# Letters from businessmen

## Collegiate foremen

Your article "What Future Managers Will Do" [April issue] is as thoughtful an article on management as I have ever read. College graduates, however, are not waiting until 1965 to seek foremen's jobs; that is going on right now. Industrial management graduates are training themselves specifically for first level supervisory jobs as springboards into top management positions.

A problem we are beginning to encounter is that so many liberal arts graduates are now foremen that they need assistance from outside their companies in obtaining some technical knowledge pertinent to their jobs.

DEAN SIMS,  
The National Management  
Association  
Dayton, Ohio

## Senator writes

I read with deep interest the fine piece, "Minimum Wage Push Seen as 5-Fold Threat" [April issue]. The information which it contained will be very helpful for me in my efforts to analyze and reach a decision on the bill. You effectively hit highlights of the bill's purpose, the arguments for and against it, thus giving good working material for one to pass an intelligent judgment upon the merits of the proposal.

FRANK J. LAUSCHE,  
Senator from Ohio

## Wage bill coverage

I have just finished reading your comprehensive article, "Minimum Wage Push Seen as 5-Fold Threat," in the April issue and find that it presents the issue very well.

However, you state that the Morse-Kelley proposal would cover retail and service businesses with more than \$500,000 in annual sales and more than four outlets. From this, thousands of small business owners will get the idea that this proposal applies to their big competitors only and is a threat which does not concern them.

I suggest that upon reading the whole proposal you will find a small rider, which says in effect that, in addition to the above coverage, the bill would also include any or all re-

tail establishments which are in direct competition to these above mentioned stores and, obviously, would then cover every store in every town in which a large store—qualifying under the original terms—is located.

Therefore, the Morse-Kelley proposal becomes a threat to the entire retail and service industry and I think we would do well not only to watch the issue, but actively to support our individual retail trade organizations in their fight against it.

R. B. BLUM,  
Sun City Retail Furniture  
Warehouse  
El Paso, Tex.

►Although Morse-Kelley proposal does broaden basic coverage to include establishments competing with any activity in interstate commerce, it also exempts employees of retail and service companies with no more than four such establishments, or less than \$500,000 annual sales volume.

## Favors federal aid

As the magazine NATION'S BUSINESS is published by the Chamber of Commerce and as this organization goes on record against government building of schools, I forthwith terminate my subscription.

Any group of men that will go on record as the Chamber has in opposition to a bill of Congress, such as the one now pending, just for the benefit of a special interest group is not representing me nor my thought trends.

DONALD HAYDEN, Prop.  
Ex-Cel Cleaners  
St. Charles, Miss.

►The U. S. Chamber recognizes a need for more schools, believes it is a problem that can best be solved by state and local action.

## Teachers take issue

In your April issue, Felix Morley [State of the Nation] endeavored to drive home the points that many underpaid college professors were leaving their jobs, and that our present tax system is unfair concerning giving cash to colleges. As a high school industrial arts teacher I do not take issue with either of these opinions, but I do strongly object to some of his strange ideas concerning public school teachers.

To begin, Mr. Morley states that the future of a youth is assured if he enters teaching. Since when? It could truthfully be stated that your future is never assured by entering





Stanley Kramer, Producer-Director, and star Cary Grant tell why:

## **"This shot will be heard around the world!"**

"To shoot 'The Pride and the Passion' in Vista Vision and Technicolor — on location in Spain — was an enormous job. We lugged this 40-foot cannon over mountains — with the help of Frank Sinatra, Sophia Loren, and thousands of extras!

"It was tough work and a tough shooting schedule to meet United Artists' release date for the film!

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"We count on Air Express to pick up the cans of film in New York, rush them to Hollywood for processing and cut-

ting, fly them back for top executive screening.

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"Surprising to me, with all this service, most of our shipments cost less than any other complete air service. 20 lbs., for instance, Hollywood, California, to Salt Lake City, Utah, is \$5.56. It's the lowest-priced complete service by \$1.94."



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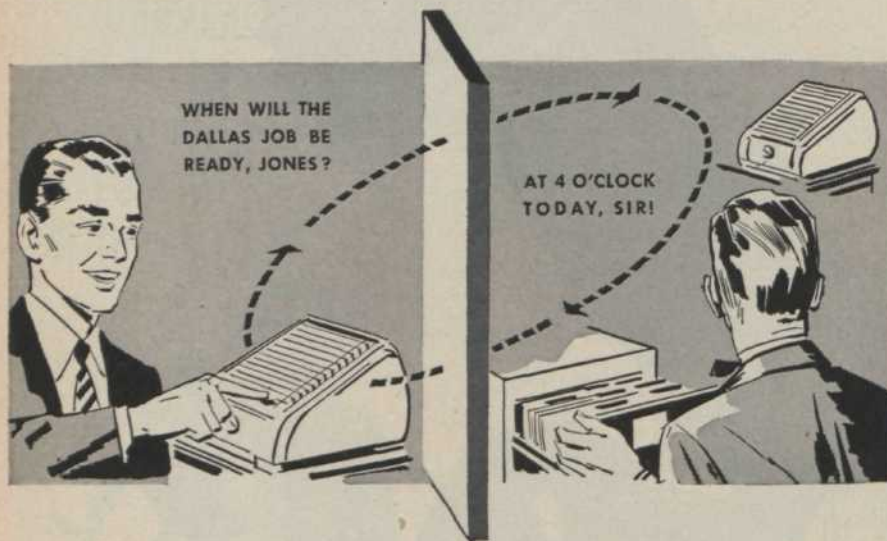


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any profession or field of endeavor.

Teachers have one good vacation at Christmas. Many millions of Americans are getting more time off and vacation than teachers. Family men teachers work summers.

Perhaps Mr. Morley should just take some time off and teach for awhile so he can become acquainted with a few of the pressures existing between teachers and students, teachers and teachers, teachers and superintendents, teachers and parents, teachers and board. As for responsibility, we teachers who think we are good believe that our responsibility of forming and shaping the minds and bodies of your children is one of the most important and challenging responsibilities a person could have.

It is very deceptive to say "expert instruction is more important at higher levels than at the lower level." Many experts disagree. Who can be sure that it is not more important to have expert instruction at ages 2-6, 6-12, or 12-18?

The moral of the story is that education is a gigantic operation, and a few fast quoted figures mean little. Be kind to all teachers and professors.

They need your help, and oddly enough the future of all of us and our country rests with this particular group of workers.

W. E. HENDRIAN,  
Delaware Valley Joint High School  
Milford, Pa.

Why are public school teaching jobs hard to acquire?

I was graduated with a B.A. in Education from the University of Florida in January, 1956, and had to pull many strings to secure a position as an English teacher in the third-ranking high school in Tampa, Fla. Many of my friends, also qualified for this "understaffed and underpaid" profession, are doing any other job available until such time as a vacancy occurs.

I left Florida by choice and am now working in Chicago as a copywriter (with a \$1,000 salary increase) and find that, to obtain a teaching position here, one must have many examinations, fulfill specific requirements (not covered by my Florida degree), and pull strings.

MISS JO ANNE LAWSON,  
Chicago, Ill.

...If the gentleman will read a few facts regarding teachers' working conditions and hours, he will find that they have increased while those of others have decreased. Teachers are currently working on an average of 48 hours per week. As for long vacations—teachers are



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H. PETER FERRINI,  
North Bergen, N. J.

### Profitable, too

We have read, enjoyed and profited by a number of the articles in the March issue. You are to be complimented on the character of the informative articles appearing each month. We find it very helpful and stimulating to our thinking. We have especially enjoyed "Key Facts Mean Better Profits." Enclosed is 45 cents for three reprints.

ROBERT V. D. BOOTH,  
President,  
The Union Sand and Supply Corporation  
Painesville, Ohio

### New hand

As a young person just entering the business world, I consider your magazine invaluable to me as a guide for my successful future. I would appreciate it if you would send me a copy of "New Way to Spot Leaders" [February issue], which I consider a most provocative article.

CHARLES E. ROACH,  
Phoenix, Ariz.

### An opposite trend

I have always been a proponent of decentralized government to as great an extent as possible, but until I read your article ["The State of the Nation," December issue] I didn't know exactly how to express myself. I'd like to ask you a question, however. Do you think that our leaders should have some ways to use power, especially military power, as fast as communication has given them the chance to use it? I agree that policy should be carefully planned and prepared so as to last, but action must sometimes be quick and powerful. "Centralized Americanism," I believe, is idealistic in action and ruinous in policy making.

Your article has inspired me. I hope Americans see this matter the way you've expressed it. One hundred years ago a civil war came about because some states assumed too much authority. Today the trend is just the reverse.

DAVID DE RUITER,  
Holland, Mich.

### Provocative

We are enclosing a check for 25 copies of "Management Is A 3-Part Job," [December issue]. Because of the unusual and provocative approach to the subject of management in this article we are interested in distributing reprints to key people in our organization on the district level.

J. E. BOAZ,  
International Business  
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**WATCH  
THIS ISSUE**

## Hearings will reveal tax cut outlook

NOW THAT the President and Congress have about closed the door on tax cuts this year, the work of an influential congressional unit this month takes on new importance. It could:

- ▶ Influence the time and nature of future tax reduction.
- ▶ Show that business as well as individuals should get tax relief.

The unit is the Subcommittee on Fiscal Policy of the Joint Economic Committee. This same group just 18 months ago recommended that, if economic conditions continued strong, any federal budget surplus should be used to lower the national debt rather than to lessen the tax load. Congress followed its advice.

What the subcommittee recommends this time won't be known until late this month, but several factors already indicate that the committee will dampen congressional eagerness to give tax relief on purely political grounds to a broad group of voters.

"I'm concerned that Congress is formulating a fiscal policy based on the zeal to reduce taxes rather than on a sound foundation," Subcommittee Chairman Wilbur D. Mills of Arkansas told **NATION'S BUSINESS**. "We all want a tax cut, but it must be based on sound economic growth."

The subcommittee, when it announced it would hold hearings beginning June 3, said it will apply the same fiscal policy principles it suggested in its 1955 study of federal tax policy: that is to pay off debt in prosperous times, to minimize economic fluctuations, to encourage balanced growth and to promote small and new business.

The subcommittee membership—Chairman Mills, Sen. Paul H. Douglas, Sen. Joseph C. O'Mahoney, Sen. Barry Goldwater and Rep. Thomas B. Curtis—represent diverse viewpoints on tax matters as well as both political parties and both chambers of Congress. In addition, they have been praised for their impartial approach to tax policy in 1955.

Mr. Mills emphasizes that the subcommittee has no preconceived notions as to what its investigation will turn up when it probes into the complex effects of changes in fiscal and monetary policy on economic growth and stability. But he insists, "This is definitely no concerted move to create a situation for tax reduction. We hope we can develop guidelines and help the [congressional] leadership decide what to do."

The subcommittee study this month will have a major impact on future tax cuts. Its recommendations will be heard in a calmer atmosphere now that the knowledge of higher-than-expected federal spending has cooled the tax fever.

Tax cuts must be based on reduced spending, says Mr. Mills, and "actual cuts that will affect spending in fiscal year 1958 [starting next month] will be smaller than cuts in appropriations." That's because reductions Congress makes in appropriations in many cases only decrease future spending, since spending of an amount follows the appropriation, or authority to spend sometimes by several years. Also current cuts in appropriations this year don't affect the appropriations which Congress had passed in prior years and which the government is obligated to spend this year or in future years.

The best guess in most quarters now is that Congress will cut about \$3 billion from the budget, and fiscal '58 spending therefore will probably be cut by less than that. With the slim surplus predicted, Congress might have \$3 billion or so to use for tax relief or debt reduction, or a little of both.

One tax proposal popular in Congress now—to increase the personal exemption from \$600 to \$700—would cost the Treasury about \$2.8 billion, tax analysts figure. A 10 per cent cut for everybody would mean about \$3.5 billion in lost revenues. Another proposal—to split the lowest individual income tax bracket and levy 10 per cent on the first \$1,000



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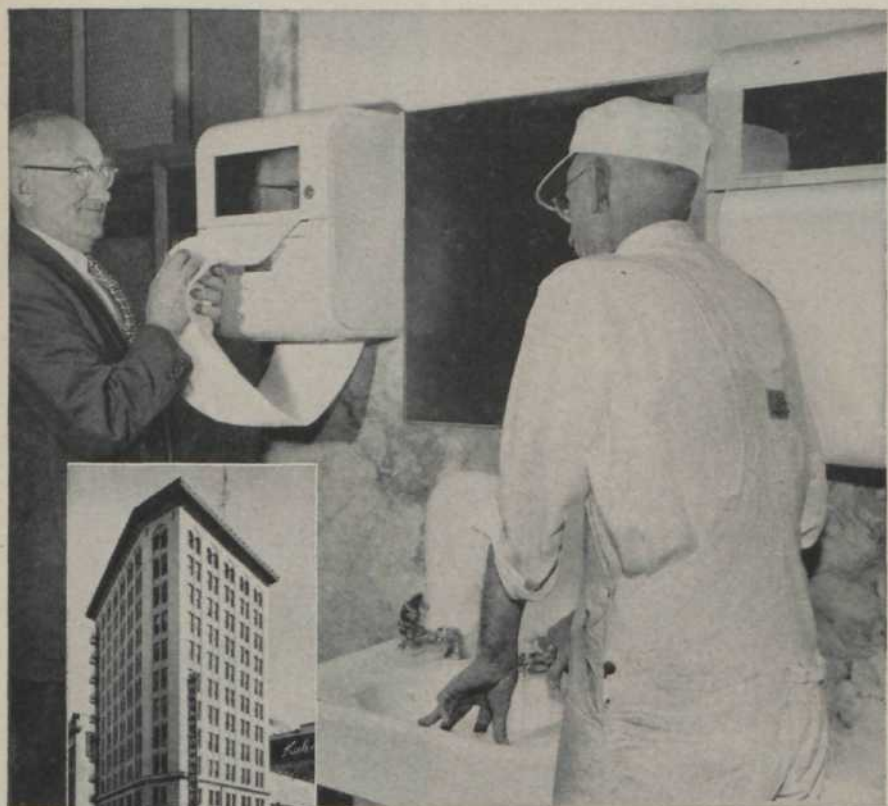


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of taxable income rather than 20 per cent on the first \$2,000—would cost roughly \$7 billion. Any tax relief for small business would probably cost a few hundred million. Most members of Congress would shy away from tax reduction at the expense of an unbalanced budget.

To help Congress decide what to do the Subcommittee will get on the record the opinions of a host of private and government economists, educators, tax experts and federal policy makers.

The hearings will concentrate on:

- ▶ The economic situation and the outlook for the rest of 1957.
- ▶ The effect of efforts to clip spending on the expected budget surplus for fiscal 1958 and on levels of economic activity this year and next.
- ▶ The types of fiscal action, such as tax cuts or debt reduction, that would be "consistent with economic stability and growth if spending reductions are achieved."
- ▶ The timing of fiscal action in relation to budgetary and economic developments.

Though Mr. Mills said the subcommittee inquiry won't get involved with specific legislative proposals on taxes, he acknowledged that the subcommittee would need to determine the economic effect of such proposals as a change in income tax rates, an increase in exemption, revision in excise levies and a change in taxes on small businesses. The unit has no power to draft bills, only to make recommendations.

Witnesses before the subcommittee will try to answer these questions:

How would big cuts in appropriations and spending affect economic activity and spending in fiscal '58 and later years; how will they affect the budget surplus; what concept of debt management will be consistent with economic stability and growth; what combination of debt reduction, tax cuts, easing monetary restraints or increase in Treasury cash balance would be in the best interest of growth and stability; when should the actions take place?

Where should emphasis be put in any fiscal action between expansion of consumption and of investment for private growth in the economy? How could barriers to expanded state and local government services be eased?

What kind of revenue reduction seems desirable in the interests of continuing economic growth? What tax changes would increase the stabilizing capacity of the revenue system, reduce tax-induced use of resources, improve the competitive climate for small business? **END**



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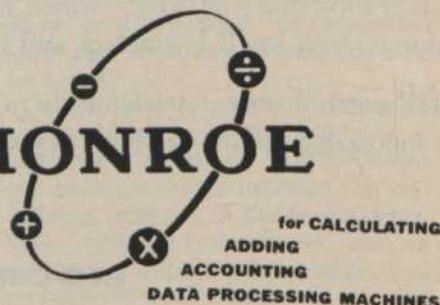
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# Trends

of Nation's Business



FRED J. MARCON

## THE STATE OF THE NATION

BY FELIX MORLEY

### Europe's Common Market plan can ease U.S. taxpayers' burden

PARIS—The aftermath of Suez has brought the political unification of Western Europe to the threshold of unprecedented accomplishment. But in France, which must be a keystone of European Union, Suez has simultaneously increased the economic obstacles to federation.

With the dismal failure of the Anglo-French attempt to eliminate Nasser and dominate the Canal, certain conclusions leading to fundamental realignment of national policy have been accepted by every European government. The first of these is that none of them can any longer even hope to oppose its will to that of the United States. This has stimulated the belief that collective strength

could be built in Europe by pooling the resources of countries enfeebled to the point where many of them can scarcely stand alone. The final conclusion, on which six governments are now acting decisively, is that the difficult process of federation must be carried out by and for the Europeans themselves, without asking help from Washington and without permitting hindrance from Moscow.

This federal movement is already sharply attacked by Soviet Russia, precisely because it promises to make noncommunist Europe strong and self-reliant. For the same reason American diplomacy is doing all that it can to assist federation, so far as this can be done without intrusiveness. But neither discouragement by Moscow nor encouragement from Washington will be very influential. This is a European undertaking, strikingly symbolized by the determination with which both French and Germans are working amicably together to achieve it.

• • •

The draft treaty for a European Economic Community, as signed by representatives of the six participating governments at Rome on March 25, is a formidable document of 248 articles and nine protocols, these last being for the most part qualifications of the obligations accepted by the treaty itself. Each of the six uniting states—Belgium, France, Germany, Italy, Luxembourg and the Netherlands—naturally seeks to cushion the impact of economic integration for its own vested interests. The treaty also makes clear that each of these countries will maintain some agricultural protectionism within the union, after they have eradicated tariffs on manufactured products as between each other.

In spite of its extremely detailed wording, this Common Market treaty is essentially simple in purpose. The objective is to eliminate all governmental barriers to trade within the cooperating



## State of the nation

area, so that German automobiles will sell at the same price in Paris as in Munich, while Italian silks will be no more expensive in Hamburg than in Naples. Simultaneously, the six governments, with a total population of about 160 million, will establish a single unified tariff system for imports from countries outside the union.

Of course this ambitious project will not be achieved overnight. The pending treaty provides (Article 8) that: "The Common Market is to be progressively established in the course of a transition period of 12 years," dating from its ratification by the last of the six participating governments. But that initial date may well be before the end of 1957, since pressure for the plan in all of the countries immediately concerned is strong.

Moreover, a nucleus of union employees is already at work, mapping the three stages of accomplishment, each of four years' duration, which the treaty envisages. One big preliminary task is to prepare the unified scale of customs duties which the union will present to the outside world. This will be an average, item by item, of the national tariffs now in effect in the six countries.

The extent to which the Common Market will increase European demand, regardless of tariff changes, is unpredictable. But the general expectation is that the enlarged and simplified purchasing area will mean increased American sales.

The Common Market project is actually much more than that. It proposes to open present national frontiers for the free passage of men and money, as well as that of manufactured goods. There will be no discrimination against the employment of French labor by a German plant and vice versa. This mobility will be assisted by a much closer integration of transport facilities and is expected to equalize competitive conditions between different parts of the European Union. Banking and investment facilities will be similarly internationalized.

To make this economic union effective, the pending treaty proposes a rather elaborate administrative organization. Special committees to adjust specific technical differences, such as the operation of employment exchanges, will be established under the direction of a permanent Executive Commission, in turn responsible to a Council of Ministers from the six cooperating countries. There will be a Court of Justice to arbitrate differences that cannot be otherwise reconciled. Behind the administrative setup is to be a sovereign Legislative Assembly of 142 delegates chosen in proportion to party representation from the national parliaments of the six countries, 36

each for France, Italy and Germany; 14 each for Belgium and the Netherlands; six for Luxembourg.

Much of this organization is already functioning on a smaller scale for the European Coal and Steel Community, which would be absorbed by the larger and more ambitious Union. Presumably it will also in time take over the proposed European Atomic Energy Community (Euratom) which is being created by a parallel treaty designed to unify the commercial development and application of atomic energy in the Common Market countries. It will be a task for the first Legislative Assembly to weld these and other official moves toward European federation into a harmonious whole and there are some who speculate that this Parliament of Europe may hold its first formal session in Strasbourg as early as October.

There is a catch, however, in all this inspiring, if somewhat grandiose, planning. The first and most fundamental necessity for any European Union worthy of the name is clearly a common currency, or at least national currencies freely convertible one into another. At present the weakness, and consequent inconvertibility, of the French franc interposes a serious obstacle.

Depressed though it is by prewar standards, the French franc is at present overvalued by at least 15 per cent. That is the spread between the official exchange rate of 350 francs to the dollar and the readily obtainable black market rate of 400. For internal purposes the overvaluation of the franc is maintained by a most complicated system of governmental subventions—for food, housing, transportation and other necessities—which would have to be swept away to achieve any real economic union with neighboring countries. But any French government attempting this would face an almost revolutionary general strike, led by the communist-directed Confederation of Labor.

The dilemma is worse because France is at present so dangerously short of foreign exchange, and by the continuous drain of the Algerian rebellion, which makes it impossible to achieve the drastic economies that the huge budgetary deficit so urgently demands. That the financial crisis will burst out this summer, beyond possibility of further concealment, is now the general, if gloomy, expectation of the well informed.

But there are many French who see a silver lining to this prospect. The present inflation, they argue, must be stopped, no matter how disagreeable and even dangerous the process. Only thus can the nearly worthless French franc reacquire the value and stability necessary for full participation in that European Economic Community which the French, no less than the Germans, regard as essential—if this Continent is to be something other than a perpetual charge on the overstrained generosity of the American taxpayer.



J. B. - This makes sense to me. Who



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# Trends of Nation's Business



## WASHINGTON MOOD

BY EDWARD T. FOLLIARD

### Taxpayers' revolt may mark the end of an era

NEARLY THREE DECADES ago, tall, gaunt Reed Smoot, who knew more about government operations than any statesman of his time, arose in the United States Senate and delivered a remarkable dictum.

"The cost of government," Senator Smoot said at that time, "has increased every year and it will continue to increase, I care not which party is in power."

The Republicans were in power at the time, but were doomed to go into eclipse before long. In the Senate, the Democrats were needling Senator Smoot about the size of President Herbert Hoover's budget (which, by the way, was less than

the \$7 billion in interest now paid annually on the national debt).

Senator Smoot, a veteran member from Utah and a disciple of the Mormon Church, hit back at the Democrats with his forecast of ever rising government costs.

As the years passed, and depression and war drove government spending upward, Senator Smoot's words won a solemn title: "Smoot's Law."

The words came to be regarded as an axiom. They did, that is, until President Eisenhower came up with his 1958 budget, largest in peacetime history, and touched off one of the noisiest debates of our time.

Now "Smoot's Law" is facing its greatest test, and may even be repealed.

The uproar over the 1958 budget is unlike anything Washington has seen in the modern era, and is certainly without parallel in the experience of those now serving in Congress.

In 1932, when Senator Smoot was defending his chief in the White House, the Democrats were engaged in a political war aimed at discrediting the Hoover Administration and paving the way for their own rise to power. Their battle cry, sounded by "Cactus Jack" Garner and others, was "Balance the budget!" In their 1932 platform, the Democrats pledged themselves to cut federal spending by 25 per cent.

Franklin D. Roosevelt won the Presidency on that platform and, once in the White House actually made a start on reducing government expenditures. He even went so far as to ask Congress to cut down on benefits for war veterans.

How FDR reversed himself and became the greatest of all spenders is a story familiar to all mature Americans.

• • •

The current Battle of the Budget is altogether different from that 1932 uprising. For one thing, it has broken out in the Administration of a man who campaigned for the Presidency in 1952 with relentless attacks on the Democratic "spenders" and "wasters." For another, the cry for economy, for a deep slashing of the budget and possible tax relief, comes as much from President Eisenhower's own Republicans as from the Democrats, perhaps even more.

The way the economy drive gathered steam has astonished almost everybody in Washington, including President Eisenhower, Secretary of the Treasury George M. Humphrey, and the lawmakers on the Hill. Of course there have always been those who have talked economy, but these Treasury watchdogs were usually rather lonely people. This time—at least in the beginning—there was a good deal of scoffing as the budget-cutters called for, and predicted, slashes of anywhere from \$3 billion to \$6 billion.

Representative Henderson Lanham, a Georgia



## Washington mood

Democrat, expressed the prevailing skepticism with this bit of verse:

*Hush little budget,  
Don't you cry,  
You'll be a trillion  
By and by.*

Some thought that the cut-the-budget talk might die down, or at least lose steam, after people had gone through the ordeal of paying income taxes. But April 15 came and went, and still there was no let-up in the clamor. Then came the ten-day Easter recess, during which most members of Congress went home to check in with their constituents.

When they returned, the lawmakers seemed to be more determined than ever to reverse the trend of government spending. They felt, as Senator Lyndon Johnson of Texas expressed it, that they had a clear mandate from the people to cut the budget. The mood was graphically described by Representative John E. Moss, a California Democrat, in a letter to the folks back home.

"The Congressional economy bandwagon," he wrote, "has become far and away the most popular vehicle in the Nation's Capital. Things reached a stage when hardly anyone else could climb aboard. As I write this even handholds are at a premium. When the stampede will end, no one knows."

President Eisenhower has been trying to halt the stampede by going to the people. He believes deeply that wholesale cuts in the budget could do serious harm to the United States, especially in the field of foreign affairs. Meantime he is being criticized by both sides in the controversy—that is, by those who want to reduce spending drastically and by those who agree with him that heavy cuts could harm the country.

Republicans, especially those who spurn the label of modern, say that the President has forgotten his 1952 promises and has endangered the G.O.P.'s chances in the 1958 congressional elections by producing such a whopper of a budget.

Those lawmakers who share the President's concern over the meat-ax psychology—some of them Republicans, some Democrats—feel that he has played his cards badly. First, they say, he virtually invited Congress to cut his budget; then for a time he stood on the sidelines, acting like a sort of neutral observer, and finally, sensing that Congress meant business, he opened a counter-offensive against the economy bloc.

By deciding to fight, General Eisenhower had to take full responsibility for his budget, something he seemed loath to do in the beginning. His earlier attitude caused a good deal of confusion

among the taxpayers and was another reason many in Congress were irked.

Rep. John McCormack of Massachusetts, Democratic leader of the House, received a letter which read: "As a lifelong Republican I am stunned by your stand supporting the Eisenhower budget..."

Representative McCormack wrote back to say that he had not given his blanket endorsement to the budget, and he concluded by asking the lifelong Republican if it had ever occurred to him to write to President Eisenhower.

Sometimes it is difficult to identify a significant event in history until long afterward. Thus, very few realized during the depression of the early 1930's that hard times were writing the death of prohibition; certainly, not many politicians realized it. It may still be too early to say that what we are now witnessing in Washington represents a long-delayed revolt of the American taxpayers, and therefore marks the end of an era, but certainly one may hazard a guess that it does.

If it turns out that way, the historian of the future will ask: What was the explanation for the uprising against the 1958 Eisenhower budget? There is no doubt about how it started. It was kicked off by Secretary Humphrey's remark last winter that unless spending was curbed there would be a depression "that will curl your hair." But the real impulse for economy, it would seem, came from the grass roots.

Reporter John D. Morris of the New York Times interviewed Senators after the Easter recess, and asked them how they accounted for the revolt they found back home.

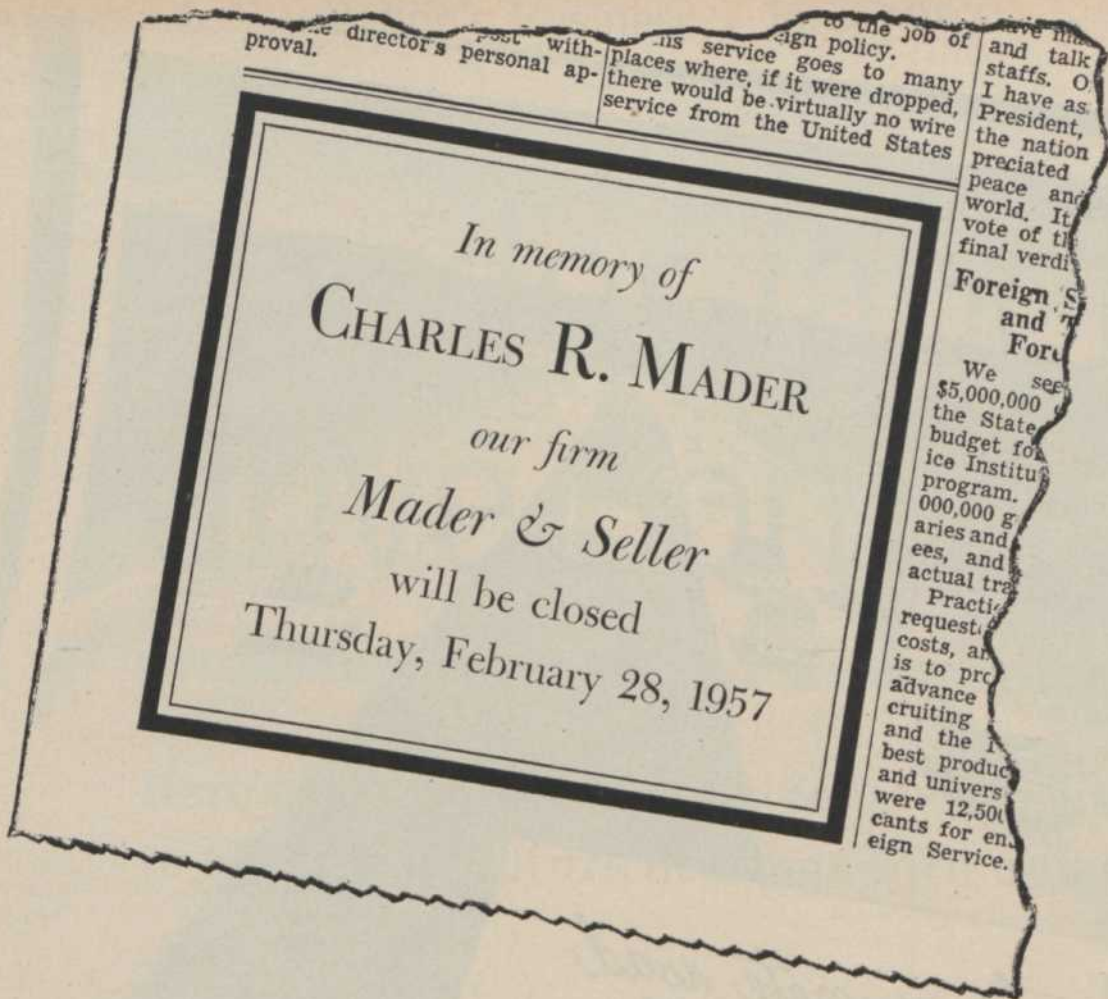
"It is generally agreed," Mr. Morris wrote, "that for some reason people suddenly awakened with a start and alarm to the fact that federal spending, even under a Republican Administration, was rising for the third successive year and was breaking all peacetime records."

The Senators found that conservatives were dismayed and disappointed, having looked for periodical tax reductions under President Eisenhower. Others, they said, were concerned over the possibility that "a depression or some other vaguely defined disaster was brewing."

"Chief credit or blame for keeping the grass roots afire," Morris wrote, "is given to the United States Chamber of Commerce, Sen. Harry F. Byrd of Virginia and Under Secretary of the Treasury W. Randolph Burgess. The Chamber in rallies throughout the country and Mr. Byrd in a series of Senate speeches have been waging intensive budget-cutting campaigns. Mr. Burgess has suggested a \$2 billion reduction."

At any rate, for the first time in more than a quarter of a century Smoot's Law is in serious trouble. Once again we are reminded that issues are made, not by politicians, but by the people.





## A partner's death doesn't have to end the life of your business

**All too often** the death of a partner spells the death of a business. Sometimes the heir is a disinterested party who insists on selling out.

In other instances, relatives who consider themselves capable try to step in and run the business their own way. In either case, all you have built can be quickly torn down.

**You can be certain** this won't happen to your partnership by taking some simple precautions now. First, ask your attorney to draw up a Buy and Sell Agreement for the purchase of a partner's share in the

event of death. Then tell your Travelers agent or broker you want Partnership Life insurance to provide money for the purchase.

Partnership Life insurance with The Travelers costs much less than you think—usually less than the interest alone on what you would have to borrow to purchase the deceased partner's share. It's a small price to pay for the confidence that the business you're building today will be here tomorrow.

**Why not discuss** this kind of protection with your Travelers man and your lawyer soon?

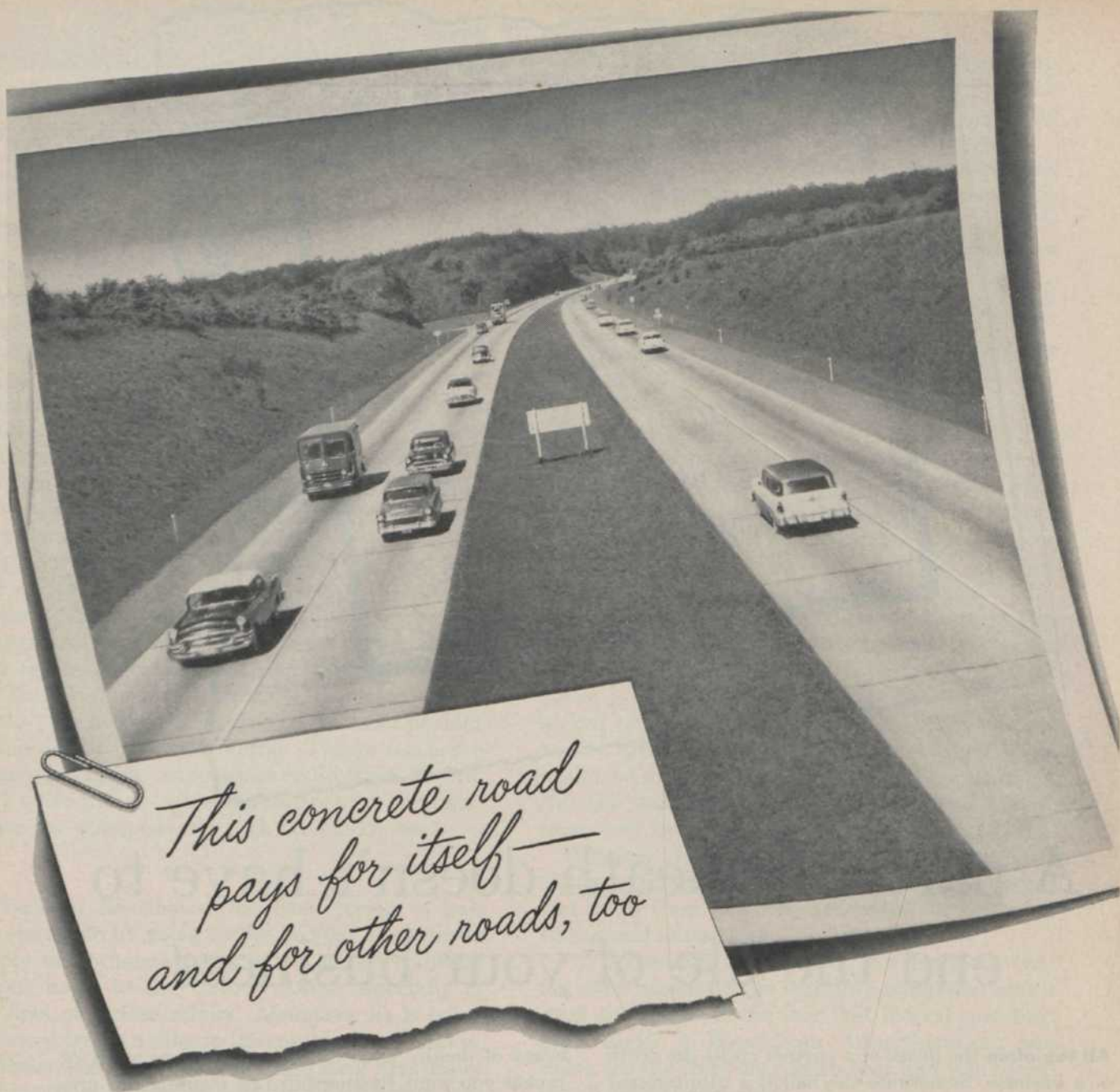


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*This concrete road  
pays for itself—  
and for other roads, too*

The gas taxes and license fees highway users pay to drive on a road represent that highway's "earnings." Some roads earn less than they cost *per year* to build and maintain. Others earn more than their *annual cost*.

A typical good investment is Shirley Memorial Highway, running from Washington, D. C. into Virginia. The section shown above carries a daily average of 30,000 vehicles. Here's how its profits are computed:

Number of vehicles traveling road daily	30,000
times average vehicle tax per mile in Va.	\$ .00883
equals road's earnings per day per mile	\$264.90
times number of days in a year	365
equals annual earnings of road per mile	\$96,688
minus annual cost to build and maintain	
such a road during its expected lifetime	\$10,000
equals annual net profit per mile	\$86,688

Concrete roads pay big dividends to highway users because they cost less *per year* to build and maintain during

their lifetime than other pavements even though they carry the heaviest traffic. Earnings in excess of costs can be invested in other urgently needed highways.

Besides proven economic advantages, concrete roads offer drivers a maximum feeling of security. Their gritty, skid-resistant surface affords an extra measure of protection, *even when the pavement is wet*. And the light color of a concrete highway makes a big difference in visibility at night, when driving conditions are most hazardous.

This combination makes concrete the logical choice in the huge road building program ahead, especially on the vital National System of Interstate and Defense Highways. These are your roads. Support sound highway planning.

## **PORTLAND CEMENT ASSOCIATION**

33 West Grand Avenue, Chicago 10, Illinois

A national organization to improve and extend the uses of portland cement and concrete through scientific research and engineering field work



# Harder labor drive coming

Here's how you can expect Senate hearings to affect your future dealings with unions

IMPACT of the Senate labor investigation on future management-labor relations is now definitely foreseeable.

This is what is happening and what you may expect to affect important union activities:

- ▶ *Collective bargaining* demands will be pressed harder.
- ▶ *Legislation* is likely with respect to accountability and publicizing of union treasury and welfare funds.
- ▶ *Lobbying activity* will likely grow more effective after a temporary slowdown.
- ▶ *Political action* will be stepped up.
- ▶ *Organizing*, now in doldrums, will regain vitality.
- ▶ *Financial responsibility* of unions will be strengthened.

In trying to weigh both the current effects and likely long-range outcome of the Senate investigation, the editors of NATION'S BUSINESS obtained the views of leaders in Congress, business and labor, both in and outside of Washington. Some have personal knowledge of current effects; some will have a part in influencing the future impact.

Opinions differ as to just how deeply the impact will penetrate. Many of those interviewed, on both sides, feel that much will depend on how the Senate investigation goes—how long it runs, what new sensations it turns up, how deeply it goes into undesirable union practices not normally viewed as corrupt, what comes out about improper management practices, and other aspects.

But the weight of the evidence available and views expressed support the conclusions on the basis of disclosures to date and a reasonable expectation that

future evidence will be pretty much along the same lines and will not implicate management to any large degree.

The investigation is also having a psychological effect. It is changing the climate, the public attitude toward organized labor.

"There are indications of a growing public acceptance of the need for making unions responsible," says Joseph E. Moody, president of the Southern Coal Producers' Association. "Organized labor is no longer a boy. The boy has grown up. When he moves around he hurts people."

Two main facts brought out by the investigation, in Mr. Moody's view are: 1, where there is unrestrained power, it is used; 2, where there are large sums of money, with no accounting, people take it.

Another observer believes that some of the shine—the superior morality in which unions enveloped themselves—has rubbed off; it has become popular for comedians to make jokes about labor leaders, something they once would not have dared do.

Union members may suffer because a few leaders misused their trust, just as all business suffered in the 1930's because of some misdeeds of management in the 1920's, John S. Coleman said at the annual meeting of the Chamber of Commerce of the United States as he concluded his term as president a month ago.

"I do not believe that we wish to see the labor movement suffer from the doings of a few leaders," said Mr. Coleman, who is president of Burroughs Corporation. "But will the public distinguish?"

There is substantial agreement that, in the end, the Senate investigation will help organized labor, al-



## These eight senators conduct racket probe

Labor's friends show confidence  
in committee objectives,  
view investigation as helping  
organized labor. Here is  
background of each member

### LABOR DRIVE *continued*

though some express fear that attempts will be made to take advantage of the situation by trying to enact so-called restrictive legislation.

President Eisenhower in effect endorses the investigation by proposing legislation based on evidence disclosed by the Senate committee.

"Labor racketeering, like corruption anywhere," he says, "is an abomination which must be eliminated if and whenever it occurs. Any officer and employee of labor—and it appears there have been few—who abuse the power and trust imposed upon them are not fit to hold union offices."

Secretary of Labor James P. Mitchell says the committee is "doing a public service which will benefit not only the American labor movement, but benefit the nation at large.

"I confidently expect that the labor movement will emerge from this period of trial stronger and cleaner and more responsive to the welfare of their members than ever before."

Sen. John L. McClellan, Arkansas Democrat, expects the investigation to strengthen honest unionism, help responsible labor leaders to rid the movement of dishonest elements and their practices, and to instill in both labor and management a greater sense of responsibility for the public good.

He is chairman of the committee conducting the investigation expected to run into next year—the Senate Select Committee on Improper Practices in the Labor or Management Field.

AFL-CIO President George Meany said in a statement to NATION'S BUSINESS that elimination of corrupt practices will be beneficial to the trade union movement, and that the AFL-CIO will support legislation to protect union funds and encourage democratic practices. He emphasizes, however, that labor will fight any legislation that would weaken unions.

The chairman of the AFL-CIO Committee on Ethical Practices, Albert J. Hayes, is optimistic that Congress will pass no punitive legislation, but says he is reasonably certain that the states will.

The climate has changed drastically against labor, Mr. Hayes insists.

(continued on page 62)



**JOHN L. McCLELLAN** of Arkansas is chairman of Senate's Select Committee on Improper Activities in the Labor or Management Field. He uncovered corrupt labor activities while investigating Army clothing procurement as head of the Committee on Government Operations. In Congress almost 20 years, Senator McClellan is a self-taught lawyer, regarded as tough, but fair-minded

**IRVING M. IVES** of New York, committee vice chairman, has long background in labor legislation. As state senator, he sponsored law setting up labor-management school at Cornell, was its first dean. He opposes right-to-work laws, but favors legislation which would insure democracy in unions, make them accountable for dues money. Labor lobbyists count him among 39 real friends in Senate

### Republicans



PHOTOS BY FRED J. MAROON





**SAM J. ERVIN, JR.**, of North Carolina was an associate justice of the State Supreme Court when he entered the Senate in 1954. He became a Democratic leader and judge following heroic service in World War I. He was also chairman of a state commission to improve the administration of justice. Interviewed on a labor-sponsored TV program, he promised fairness to labor



**JOHN F. KENNEDY** of Massachusetts narrowly missed Democratic nomination for vice president last year, will figure in party's 1960 plans. Elected to Congress in 1946, has always had labor backing. As labor subcommittee head, he's pushing minimum wage and welfare fund legislation. He won a Pulitzer Prize this year for book on famous senators, feels racket probe is important to expose evil



**PATRICK V. McNAMARA** of Michigan rose from plumber's helper to president of AFL Pipefitters Local 636 and vice president of firm which installs industrial piping. Before entering Senate in 1954 he handled company sales and customer contacts while active head, without pay, of union. Labor, but not Teamsters, backed his election. He served as member of Detroit Common Council, Board of Education

**KARL E. MUNDT** of South Dakota until now has not taken a very active role in labor legislation. He sees a need to help protect union members from self-seeking union officials. Half his 18 years in Congress have been in the Senate. Back home, he was a teacher, school superintendent, farm operator, in real estate and insurance businesses, and member of Game and Fish Commission

**BARRY M. GOLDWATER** of Arizona has introduced and strongly supports legislation to protect states' rights, prevent use of union dues in politics, and bar discrimination in job rights for either union or nonunion workers. He is openly critical of growing union power. A jet pilot, he served with the Air Force in World War II. He heads Goldwater's ladies' specialty stores, shoots golf in 70's

**CARL T. CURTIS** of Nebraska served 16 years in the House before being elected to the Senate in 1954. He is a lawyer, conservative, and in the House was considered an expert on revenue and trade. He has been out front in efforts to strengthen Taft-Hartley, is sponsoring bills to ban secondary boycotts and use of union dues for politics. He took Senator McCarthy's place on committee





# Changing channels of distribution

Here is what manufacturers, wholesalers, retailers must know about mass marketing

A REVOLUTION in distribution is transforming the age-old patterns of business for the manufacturer, the wholesaler and the retailer. The symbol of the revolution—and its principal product right now—is the one-stop retail center where people pick up their own merchandise.

The revolution in distribution is bringing about drastic changes in:

- ▶ Advertising
- ▶ Packaging
- ▶ Sales organization and selling methods
- ▶ Retail coverage

The changing pattern is due principally to five fundamental factors: The shift in population: People moving from one community to another, starting a new community, moving from the city to the suburbs. The spread of wealth: The income level has gone up and more people can buy what they want. They watch prices, yet still buy high-priced merchandise.

Changes in living habits: Whole population is affected by trends to more leisure time, to larger families, to informal living, to more auto ownership.

Business costs: Selling prices are up but not enough to cover production and distribution costs. Result: squeeze on profit margins. Consumer resistance to price increases is making retailers more price conscious.

Natural evolution: Back in 1940, 20 million people were engaged in face-to-face retail selling. When the war came, many of them went into service, became dispersed and were never replaced.

But during the war, manufacturers never stopped advertising. They kept alive the people's knowledge of what was coming. As a result, advertising and promotion climbed from about \$2 billion in 1941 to roughly \$10 billion in 1956. Today people are more and more content to let advertising take over and do the selling.

Also, during the war, department stores cut out almost all their services—practically everything except credit. After the war, people were accustomed to taking packages home.

Another important influence has a bearing on today's situation. At the peak of the war, we had 14 million people in the military. Everywhere, there was a post exchange with nationally advertised products. The manufacturers supplied them in large quantities. For the most

Retailer  
is caught  
between



rising costs  
and consumer  
price resistance





IVAN MASSAR—BLACK STAR

part without realizing it, the post exchanges were educating consumers generally to the idea of buying products at low prices.

Consumer surveys today show that women shop less often, spend more time shopping each trip and buy more. They show that most women shop without lists, that the fun element is important—it's fun to shop when you pick it out yourself. They show, too, that when people sell themselves the average sale tends to zoom.

Merchandising specialists agree that the marketing approach to this new pattern of distribution has five main characteristics:

- The diversified store
- Volume sales
- Low overhead
- Increased efficiency in all departments
- Self-service or self-selection

Estimates of the A. C. Nielsen Company show that 75 per cent of the total grocery business is handled by the self-service store; more than 25 per cent of the drug business is now on a self-selection basis.

This type of selling is spreading to other outlets.

Ohrbach's, in New York, has brought the self-service principle into department store operation—with drastic reductions in prices and tremendous expansion in volume. Furniture supermarkets are springing up—the Neptune stores in New Rochelle, N. Y., and New York City are examples.

Marketing directors of Allied Stores are making every effort to incorporate self-selection—and actual self-service where possible—into the merchandising pattern of each store.

"We actually did achieve self-service in the toy departments last Christmas," reported a spokesman for the organization. "People went around with baskets, selected boxed-up toys from the piles on the dis-

## EXPANDED ONE-STOP STORE . . .

allows a Texas housewife to buy groceries, garden hose, parakeet, flowers, paint and brush, tonic, hobbyhorse, and electric iron. She also could buy such things as lingerie and camping supplies



## CHANGING CHANNELS OF DISTRIBUTION

*continued*

In New Jersey, new clothing and hardware supermarket gets customer rush at opening of self-service operation

play racks and paid for them at check-out counters just like those in a regular food supermarket.

"We're doing this whenever we can, but not on a store-wide basis," he said. "However, we're designing more and more fixtures for self-selection.

"We put panties or brassieres or stockings on models on top of the display racks. In the racks are whole tiers of boxes containing the product—arranged in order of size so the woman can pick out her own. Then all the shopper has to do is select her size and check out at the cash register. This way, you save the shopper's and salesgirl's time and cut costs for the store operator, too. It's the big new thing in variety and department store shopping today and it's really sweeping through the country."

How then does business adjust itself to take advantage of this change?

### Advertising

This trend has put an additional burden of selling on advertising.

"It makes necessary more reason-why advertising," says R. C. Allen, executive vice president of Stewart, Dougall & Associates, management consultants. "We must go back to that pioneer in advertising copy-writing, the late Claude Hopkins, who said, 'Give them a reason why and they'll buy.' You have to tell your customer what it is about the product that will make her want it."

Ralph Head, vice president and director of marketing of Batten, Barton, Durstine & Osborn, divides this advertising into three categories:

1. "Armchair" advertising in magazines and newspapers, on television and radio, that pre-sells the shoppers before they get to the self-service outlet.
2. "In transit" advertising—billboards, bus and car cards and car radio—that reminds them en route.
3. "Point of purchase" advertising that says: "Here's the product you read or heard about. Here's the product in a clean, bright package."

NATIONAL FAMILY STORES, INC.

CHARLES ROTKIN, PFI







COYNE, BLACK STAR

PILGRIM INFANTS' WEAR, INC.

Self-service selling has invaded the wholesale field also. Boston retailers pick up stocks from warehouse

This point of purchase advertising must do what no retail sales person is there to do or is able to do for the product.

Mrs. Jean Wade Rindlaub, another vice president of the same agency, says it is not only the function of today's ad to establish the brand name and explain what the product is but also to provide services—to show how to use the product.

"And you have to provide these services right in the ad," she says. "They won't write in for a booklet. We take the place of the friendly butcher or sales clerk who used to perform this function."

"Today's advertisement should counsel—act as a purchasing agent for the customer," according to G. B. Park, President of Market Planning, an affiliate of McCann-Erickson, Inc. "If more of the advertisements were pitched this way, we'd get away from the gimmicks, the gadgets, the artiness and cuteness in many of today's ads that leave so much to be desired."

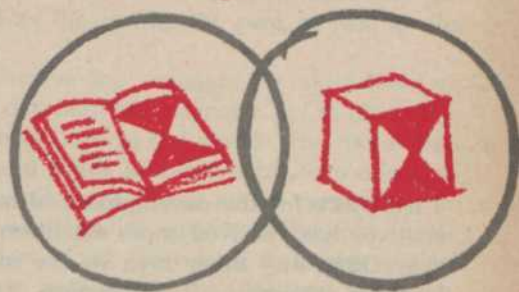
## Packaging

The package has exploded into spectacular—perhaps exaggerated—importance in the new pattern of distribution. Self-service makes it imperative for the manufacturer to sell his product through advertising. The packaging itself must be tied in closely with this advertising to gain instantaneous and favorable recognition.

New materials, new fabricating equipment, new inventions and new merchandising techniques have projected a display of packaging fireworks across the customer's skyline that actually dazzles the eye. Aerosol-type containers squirt out shaving cream, whipped cream, insecticides, deodorizers, and sun tan lotion. One new package squeezes out cheese like tooth paste. The new thing is mood packaging, to bring the mood of the product out in the lines or color of the package, particularly in cosmetics.

"We can express the personality of the product through the tactile properties of the package," says Walter Margulies of Lippincott and Margulies, industrial designers. "Take bacon for example. We use polyethylene, which is soft and warm and pliant. It allows the actual quality of the bacon to come right through the package."

But new materials and gadgets can lead you far astray. There are many considerations. How, for example, do you design a package to have the proper balance in terms of maximum sales appeal, convenience in use and preservation of the product itself. (continued on page 90)



Fewer sales clerks mean advertising and packaging must do the job



# WHERE MANAGEMENT DEVELOPMENT BELONGS

Educator analyzes executive training needs, tells what companies and schools can do



COYNE-BLACK STAR

By Professor **Howard W. Johnson**  
Director of Executive Development Programs, School of Industrial Management, Massachusetts Institute of Technology

THE NEED for the development of managers and executives has received more attention in the past 10 years than any other area in the management of a business enterprise. The question of how and where the skills are to be taught has been and will continue to be the subject of a great deal of reassessment by managers and educators.

Much of this reassessment is devoted to the question: What part can the university play in developing executives?

Among those asking this question are many of the companies which have sent a man away to any one of the 32 major development programs currently listed by American colleges and universities.

Some of these programs have been extremely successful. Some have been moderately successful. In some cases, it has taken the organization two years to get over the disturbing experience induced by the program.

We are learning—all of us—but our progress has been slow. After 10 years of increasing attention to

the task of management and executive development in industry we seem only recently to have learned what we should have known at the beginning:

- ▶ *That leadership can be developed in industry no less painfully and painstakingly than elsewhere.*
- ▶ *It germinates under the pressure of need.*
- ▶ *It grows in an environment of organizational freedom and responsibility, and*
- ▶ *It develops only through intellectual and energetic effort on the part of the man, and the systematic recognition, cultivation and reward of his talents by his boss and his organization. Indeed, developing management talent is impossible until we have delegated to men the two strongest weapons we have—responsibility for results, and authority to manage.*

All of this means that most development must take place basically within the company itself.

The university, however, can contribute much to the development of executives provided the company sends the people best qualified to benefit.

To understand what this requires of a company it



is necessary to understand what the university is equipped to offer. The following is offered as a framework for reviewing the university contribution:

There are three general kinds of development for the manager of a business and, by and large, they are associated with different stages in his career. They are:

- ▶ Development of know-how
- ▶ Development of leadership skill
- ▶ Understanding of business environment

#### **Development of know-how**

This may be the manager's most essential qualification. Certainly it is the prerequisite for successful management. A manager has to know how to run a business or at least part of it and make money doing it. Here is where the functional fields of management fit: accounting, marketing, production and so forth. Until a man has behind him the solid thrill of doing the job well, of having planned, directed, and controlled a successful operation in a company, he is not a manager at all. This is the heart of the definition of managerial know-how as we have come to regard it.

In most of these functional areas, a man develops in the classic way through doing. Here the company development program, typically informal, is the basic way for him to grow.

The university can help. Initially at college we can discipline his thought processes and sharpen his method of problem analysis. For example, at the level of an MIT Sloan Fellow—men in their thirties with 10 years of business experience behind them—we can really help by broadening the vista of the specialist. In special or newly developing informational areas, such as data processing or industrial relations, the university can make another useful contribution.

Finally, for the senior manager, who has already proven himself in the basic skills, new skills and understandings can be greatly accelerated by university programs. This is true in the area of corporate finance, for example. This area is perhaps one that can't be integrated in a manager's thinking until he is quite advanced in level and experience. We know this is one of the most popular of the know-how areas of our Program For Senior Executives, for example, and apparently one of the greatest needs the modern executive feels in his over-all understanding of the conduct of the firm. All of the skill or know-how areas can be provided on an informational and intellectual basis by a university program at some stage in the man's career as a manager. Your job here is to relate the level of the program offered to your man.

#### **Development of leadership skill**

The second kind of development in the career of the manager is his basic understanding of human behavior—his leadership skill. In part this is an extension of know-how, but it makes sense to separate it because of the vast difference in the order of the two categories.

Leadership is still a mysterious phenomenon in that the same results can often be achieved by widely varied methods on the part of the leader. Here again, intellectual familiarity with leadership skills is not enough. Practice and improvement within a given culture, a given plant or corporate situation is essential. Indeed it is becoming increasingly clear that,



What can schools and the company contribute to the three stages of business executive development?

apart from the broad basics of personality and attitude, it is impossible to talk about the specifics of leadership except as related to a specific technology or organization.

We know that leadership is not a set of manipulative activities that one pulls on and off at will. It is rather a style of behavior—a consistent way of acting in a responsible position. It has no part of guile.

This level of leadership can also be encouraged and strengthened by exposure to the university program. It is consistently a valuable part of our own program in this area. But it, like the first area of know-how, could conceivably be taught, as surely as it must be practiced, by experience within a company.

#### **Understanding business environment**

The third area of development in a manager is his understanding of the total complex of business: the outside as well as the inside, the past as well as the present.

To be an effective top manager he must have an understanding of where his company fits in his industry, in his country, and in the world—the forces that impinge on it and shape and direct his own effectiveness. These include such things as the community in the economic and financial sense and the community in the sociological sense; the role of technology in society; the labor movement; the political situation, even the international situation. It is in this sense that the businessman can be said to shape the American business structure.

In short, he needs a sense of history and a feel for the social sciences. He reaches for a sense of association with the past. He needs a broader base for decisions than today's business paper. The good manager senses he needs these insights, and searches in all directions to find them. The company to which he belongs seldom can provide this over-all frame of reference—unless it is so large that it can afford its own large-scale university on the side.

But there is no doubt that the effective top manager needs this sense of placement. The university program, properly conceived, can produce this identity with the whole range of history which in itself gives meaning and force to the (continued on page 48)



# WHY FEDERAL SPENDING GROWS

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Here is an exclusive report  
on where the demand for  
new government services  
originates, how strong it is

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THERE ARE THREE chief well-springs of the unfailing yearly crop of new federal spending programs. They are:

- ▶ Pressures from special interest groups.
- ▶ Congressmen trying to please the folks back home.
- ▶ Government officials convinced that a particular problem can best be handled from Washington.

Sometimes just one of these forces is at work, sometimes two or three. The intention is always the same, however, additional federal outlays billed to all the taxpayers.

In defending his \$71.8 billion budget for the year starting July 1, President Eisenhower said repeatedly that sizable savings could be made only by cutting out essential programs. And this, he said, he is against—"as long as the American people demand, and in my opinion deserve, the kind of services that this budget provides."

Just what is this demand for new federal services?

Where does it come from? How strong is it? NATION'S BUSINESS set out to find the answers.

In the President's new budget are more than a dozen new programs for federal aid to states, cities and private groups—the so-called grants-in-aid programs that typify federal spending of the service type. These new programs either are not yet authorized by Congress or were authorized just recently and funds have not yet been appropriated to get them under way.

To find out how such programs start, NATION'S BUSINESS interviewed government officials, members of the House and Senate, officials of trade organizations, lawyers, lobbyists, and others.

The issue was not whether the programs were commendable. Almost all have laudable motives—to fight juvenile delinquency, promote industrial safety, educate mentally retarded children, build schools, train welfare workers, help areas with heavy unemployment. The investigation didn't concern itself with



the issue of whether the federal government or the states or cities or private groups should be handling the program. It asked only: Where did the push come from?

A few of the new programs have wide support—those providing federal aid for school construction and for areas with chronic unemployment, for example. Notably, these same programs also have the widest opposition. But most of the programs have been conceived and pushed by small numbers of interested groups. Several of them, while now receiving support from out-of-government sources, must be regarded primarily as Washington-conceived—either in administrative agencies or in the Congress.

Let's get down to cases with some specific examples. First, let's look at a couple of new programs whose origins are most easily traced—those which clearly originated in the government and became the subject of grass roots demand only after their birth and infancy.

► The Administration is seeking authority to help states establish or expand programs aimed at reducing the high rate of industrial accidents. The Labor Department would use the money to pay up to 75 per cent of the costs of these state projects—salaries of safety inspectors, costs of new promotion and educational campaigns, and the like. The Administration bill to authorize this program provides no ceiling on annual cost; the President's budget says about \$2.2 million would be needed this coming year.

The Labor Department says it is getting fine response to the proposal, with more than half the states volunteering support. Some states are even changing their constitutions to take advantage of the program. But where was the program born?

"The idea was ours," declares a Labor Department spokesman.

"We looked at the recent increases in deaths and accidents in industry, and decided that the improvement was not being made which we thought desirable. We saw the accident rates going up, the picture generally dark, the states with inadequate safety departments. We decided action was necessary, on the basis of the situation we saw developing, and came up with this program."

► The Federal Civil Defense Administration is proposing that the federal government start paying half of all personnel costs, rent, utility and other administrative costs of local civil defense programs. Until now, it has helped only on the cost of supplies and equipment. The federal payment for administrative and personnel costs is admittedly the first step in changing the program from a state-local to a federal one.

"These are our own proposals," says an FCDA official, of the budget request for appropriations of \$50 million and spending of \$10 million this coming year. Asked if the demand for these changes came from outside the government, he says, "No—it's just a recognition on our part that these states and cities can't afford to put the people they should into this program. The President ordered us to figure out how to strengthen our civil defense program, and this is our answer. These are the considered opinions of this agency as to what needs to be done."

He also concedes that the change would give the federal government more control over the entire civil defense effort. "Unless you have a string on these people," he argues, "you can't make them conform."

► Most people say Sen. George Aiken (R., Vt.) originated the idea for federal payments to help states and private groups plant forest land for industrial woods. The budget proposes appropriations of \$4 million and spending of \$2.5 million for this purpose in the coming year. The money would pay for advice and technical aid, and also direct financial contributions.

This tree-planting program was added to the 1956 farm law in the Senate, with no special hearings or other advance notice. Agriculture Department officials and congressional aides say Senator Aiken's sponsorship of this provision grew out of his concern over an Agriculture Department survey showing that huge forest acreages suitable for producing industrial wood were not being used or were being used inadequately. About 90 per cent of this was state or private, and only about 10 per cent federal.

Some state forestry officials were also concerned, especially in the Northeast, according to Agriculture Department officials. But, they add, the actual move for a federal program came almost single-handedly from Senator Aiken.

The senator himself says he proposed the program, not as a new spending program but rather to lessen the threat of federal control in this area. "I was apprehensive over the continued trend to concentrate so many programs in Washington," he states, "and I was afraid the pattern would be followed in this field. This proposal provides essentially for partnership development of these forest resources, with local control rather than federal control."

Most programs do not originate strictly in Washington, however. Most come from interested private groups which push hard and sometimes long for pet projects. Here are some examples:

► The budget seeks \$2.5 million to implement for the first time a new program authorized in the 1956 Social Security Law for federal grants to states to train social workers and other welfare personnel for public assistance programs.

This scheme was embraced by the Administration, but the American Public Welfare Association seems to have been the original moving spirit.

"We have long argued," says an official of that group, "that we need trained people to administer the relief programs and to do preventive work and rehabilitation work and so cut the need for relief. The state welfare departments just don't have the money to do this training job. We watched federal aid being granted to train people on vocational rehabilitation, mental health and other programs, and decided there was no sound reason why the same type of help shouldn't be available for welfare personnel generally. With present appropriations for welfare so large, it seemed to us the time was ripe for some programs that might eventually hold down the cost."

The idea was bought by Secretary Folsom of the Department of Health, Education and Welfare as a way to cut relief costs. He took the same position on another new program,

(continued on page 76)





# GET READY FOR 1960 TEEN-AGE WAVE

Population surge sure to affect many  
markets, boom some of your products

THE UNITED STATES is on the verge of a major population shift that will have a dramatic effect on markets. Consumer demand for many products will rise sharply.

That appraisal of the business outlook comes from Dr. Joseph S. Davis, now a member of President Eisenhower's three-man Council of Economic Advisers. Dr. Davis, a former Stanford University professor, is one of the world's leading authorities on the economic impact of population changes. The nature of this impending shift is this:

The number of teen-agers in the United States, which has been fairly constant for the past 30 years, will undergo a sudden and tremendous jump in the early 1960's. In a single year, 1960, the number of children crossing the threshold age of 13 will increase by nearly 40 per cent—from 2.75 million to more than 3.8 million. Thereafter, except for minor zigzags, the teen-age population curve leads steadily upward.

No crystal ball gazing is involved in this forecast. The children who will swell the teen-age population in the 1960's already are born. They are the first arrivals of the phenomenal baby boom which began immediately after World War II and is still in progress.

Why should business be particularly interested because these postwar babies are about to reach junior high and high school age?

Because, as every father knows, a teen-ager eats more, spends more for clothing, hobbies and entertainment, and generally exerts a far greater pressure on consumer demand than a young child.

In terms of food, for example, the average 10-year-old rates as only 50 per cent of an adult male equivalent. But an 18-year-old rates as 120 per cent. (The assumption here is that an 18-year-old eats 20 per cent more than an adult—an assumption that experienced parents will recognize as extremely conservative.) When all needs are taken into account, the typical teen-ager is at least twice as important a consumption unit as a child of elementary school age.

The forthcoming rise in demand, Dr. Davis says, will be more abrupt in some industries than in others. Consumption of food, milk, soft drinks, chewing gum, candy and such tends to increase steadily with each year of age until it reaches a peak in the late teens. The rate of increase is more rapid in the middle teens than at any other period of life, but it still represents expansion of a previously existing demand.

The situation is somewhat similar with clothing. But here the jump in consumption levels is even more marked when a child enters his teens.

"The grade school child may get along fine with a drawer full of blue jeans and flannel shirts and a good suit for Sunday," says (continued on page 88)





they EAT MORE



they SPEND MORE



they WEAR MORE



they need MORE ROOM



# Here's way to sound laws

Four-point action program for business yields results under pressure



## This method worked

BUSINESSMEN have shown that they can help create a legislative climate favorable to free enterprise at the state level by means of a four-step action program.

Here are the four steps:

- ▶ An early start and cooperation
- ▶ Public understanding
- ▶ Contact with legislators
- ▶ Demonstrated public demand.

The value of this formula was proven under fire during the recent 90th Session of the Indiana General Assembly. A vigorous legislative campaign by Indiana's major business organizations utilized all four steps with the result that the Assembly:

- ▶ Passed a right-to-work law outlawing compulsory unionism.
- ▶ Passed a resolution condemning efforts by proponents of centralization of government to invade the field of education through federal aid programs.
- ▶ Passed a resolution assailing the highly progressive federal income tax.
- ▶ Passed a bill providing that workers in Indiana shall have the right to organize into a local union without having to bow to international union demands that they belong to

and work under the jurisdiction of locals in other states.

The Indiana Assembly also bottled up in committee or defeated:

- A bill that would have established a minimum wage of \$1.25 an hour with overtime at a rate of one and a half times the regular rate for all hours worked over eight hours in a day or 40 hours in a week. The national minimum is \$1.
- A bill which would have created a compulsory fair employment practices law.
- Several proposals which would have increased sharply Workmen's Compensation benefits, unemployment compensation and occupational disease benefits. Moderate increases were approved.

To Indiana's powerful labor lobby the record of the 90th Session of the General Assembly—especially the passage of the right-to-work law—adds up to a crushing defeat, greater than any the unions have experienced in the state in many years. This is admitted frankly by labor officials.

"We don't know what hit us," says Stanley J. Elliott, vice president of the Indiana Federation of Labor. Another prominent labor figure, Dallas Sells, president of the

CIO Industrial Union Council of Indiana, says the legislative setback was not altogether a surprise to him. He says his union (the AFL and CIO have not yet merged in Indiana) recognized right along that business groups in the state were superbly organized and were fighting hard for achievement of their legislative goals.

The business effort was spearheaded by a drive for passage of a right-to-work law, the successful result of which made Indiana the eighteenth state to guarantee workers protection against forced unionism. This campaign provides some useful examples for businessmen in other states to follow.

"While Indiana is traditionally a conservative, independent state, it didn't just happen that way," says William Book, executive vice president of the Indianapolis Chamber of Commerce and a key figure in the right-to-work movement. "Business organizations here have worked long and hard to spread the gospel of conservatism. Our new right-to-work law could not have become a reality without such seed-planting."

Here, step by step, is how Indiana did it.

### Start early, work together

Indiana's right-to-work supporters say the start-early admonition cannot be overemphasized. They point out that, although most state legislatures have already completed their business this year and will not meet again for a year or more it is not too early to get the wheels turning for right-to-work and other measures conducive to a good business climate. The Indiana campaign for right-to-work began more than a year before the 1957 session of the General Assembly began last January.

The spark that set off Indiana's drive was the adoption of a resolution for action on right-to-work by the board of directors of the Indianapolis Chamber of Commerce. That came early in 1955. In August of that year the Indianapolis Chamber, under Mr. Book's leadership, arranged a meeting on the question to which businessmen and local chamber leaders from throughout the state were invited.

This meeting led to creation of The Indiana Right-to-Work Committee, Inc.

From the outset, cooperation between the various employer organizations was close. These included the Indianapolis Chamber; the Indiana State Chamber of Commerce, headed by Executive Vice President Jack E. Reich; the Associated Employers of Indiana, Ransom Akin, ex-



ecutive vice president; and the Indiana Manufacturers Association headed by Art Conde, executive vice president. Also cooperating was the Right-to-Work Committee, which drew its financial and moral support not only from employers but from workers as well.

Toward the climax of the right-to-work drive, officials of these five organizations met at least once a week in Indianapolis, the state capital, to plan and coordinate their moves.

#### **Develop public understanding**

In Indiana this important assignment was handled by all of the co-operating pro-right-to-work groups.

The Indiana State Chamber, under the direction of Mr. Reich, was most effective in its "Working Together" program.

The Chamber arranged legislative action meetings in 21 Indiana communities, took the business viewpoint on right-to-work and other issues to more than 2,500 local business leaders. Each of the 21

meetings was co-sponsored by a local chamber.

These meetings, according to Mr. Reich, increased understanding of the need for legislative action among individual businessmen. Many of these men, for the first time, contacted their own representatives in the General Assembly to enlist support of pro-business legislation. Mr. Reich says his organization got excellent cooperation from its 156 affiliated local chambers and a large number of its 72 affiliated state trade associations.

The Working Together sessions were not unlike the recent legislative clinics conducted in various parts of the country by the U. S. Chamber of Commerce. Like their national counterpart, the Indiana meetings focused attention on issues in which business has an important stake.

Mr. Reich himself contributed much to the success of the right-to-work drive. The unions recognized his part in the effort and, striking back, labeled the objective of the

effort "the Reich-to-Work law." Mr. Reich says it was one label he didn't mind getting.

"The important thing," he says, "is to get good laws, reasonable taxes. Without these advantages a state's efforts to lure new industry won't make much difference. The officers of our Chamber believe that legislation is the basic business of businessmen."

Indiana's right-to-work proponents used every technique of communication available to develop public understanding. These included not only meetings, but the publication and mailing of thousands of pamphlets, the purchase of newspaper space and radio time, personal contacts with workers and employers, and speaking engagements before civic groups.

#### **Get state legislators' support**

In Indiana, the job of enlisting legislative support fell principally to the State Chamber. Operating

*(continued on page 46)*



**This method did not**

**Union demonstrators failed to block passage of right-to-work law in independent-minded Indiana**

GARWOOD—INDIANAPOLIS TIMES





# HOW'S BUSINESS? today's

## An authoritative report by the staff of The Chamber of Commerce of the United States

### AGRICULTURE

New industrial markets for farm products on a competitive basis, more employment opportunities, new and better products for consumers, and new crops on acreage now producing an excess of food and feed crops are the goals of a program proposed by a bipartisan Commission on Increased Industrial Uses of Agricultural Products.

In a report to Congress, the Commission says only seven per cent of our productive farm acreage is now used to grow crops for industrial uses.

It recommends research in two general areas:

1. Industrial uses for surplus agricultural products (the Commission says present research is insufficient and basic scientific knowledge inadequate).

2. New crops—which may help replace present surpluses.

The Commission suggests that:

Further development of profitable production opportunities through broadened industrial outlets is essential to the conservation of both renewable and irreplaceable natural resources.

To attain and maintain an increased share of industrial markets will require intensive efforts on two fronts—research and action.

The program must attract industrial and private enterprise laboratories to increase their attention to farm products as raw materials.

The program must be carefully planned to avoid potential areas of conflict.

### CONSTRUCTION

The outlook is for years of housing activity at levels higher than the industry has yet experienced.

Demand for housing right now is strong although homebuilding has declined in recent months.

The Bureau of the Census reports

a decline in the rate of available vacancies in the last quarter of 1956 compared to the previous quarter. This is the effective vacancy rate and does not include vacant units rented or sold and awaiting occupancy, held off the market for various reasons, dilapidated, or used for seasonal occupancy. This suggests that the industry may actually have been underbuilding.

Basic housing demand, far from abating, now shows great strength. Growth and mobility of the population are the bulwark of this strength. Merely to keep up with the increase in nonfarm families will require the building of more than 1 million houses a year over the next 18 years.

### CREDIT & FINANCE

Some slight softening in the market for money will become noticeable within the next few months. A general leveling-out tendency in the economy will accompany an easing in money supply.

Business spending on new plant and equipment this year may increase about six per cent over 1956, but there is a noticeable general business tendency to delay plant expansion and long-term credit commitments until interest rates are stabilized at somewhat lower rates.

Steel output has slowed down from about 100 per cent of capacity to about 90 per cent, and automobile production is running at about the same rate as last year. Some reluctance on the part of consumers to enter long-term installment credit contracts may be noted for the coming 90-day period.

Construction contracts continue a slight downward slide with housing the hardest hit. Unemployment will continue at new lows with personal income hitting record highs.

Over-all general business conditions look favorable for the remainder of 1957.

### DISTRIBUTION

Retailers' outlook for the third quarter is bright but not cheery. According to the latest Dun & Bradstreet survey, 52 per cent of retailers expect sales to increase over the third quarter of last year, 36 per cent expect no change.

On profits: 33 per cent expect an increase and 56 per cent expect no change.

Consumer expenditures for goods and services, however, advanced to a new record rate in the first quarter. Employment and personal income continue strong.

For the first quarter of 1957, retail sales were up 3.4 per cent. Biggest gains: gasoline service stations, 9 per cent; food group, 5.8 per cent, automotive group, 5.2 per cent. Declines are noted for apparel, general merchandise and lumber, building, hardware groups.

Merchandising trends to look for: continued high level use of premium promotions; continued diversification of products sold by various types of retail stores; continued emphasis on nonfood items in food stores, and more attention to establishing food departments in nonfood stores.

### FOREIGN TRADE

Indications are that businessmen and governments throughout the world are determined to push the volume of international trade far beyond its present high level. Two such indications are the unprecedented interest business concerns and governments alike are showing in international trade fairs and in plans to eliminate trade barriers almost completely by forming regional groupings of nations.

More than 180 trade fairs are scheduled for 1957. The recent U. S. World Trade Fair proved so successful that plans are already being made to hold another in 1958.

Although the European Common Market Treaty has yet to be ratified, similar regional economic integration plans are under discussion for such areas as Central America, Scandinavia and South America.

### GOVERNMENT SPENDING

With several appropriation bills passed by both houses of Congress,



# outlook

conferees face the problem of resolving the differences between them. This year the job is more difficult.

The Senate is acting with more independence in reviewing money requests. Instead of following the traditional pattern of acting on just the changes made by the House, restoring its cuts and perhaps even increasing spending for pet projects, the Senate is making cuts of its own.

Realization of a \$1.7 billion budget surplus, estimated in January for the current fiscal year, hangs in the balance. The higher rate of spending—at least \$1.8 billion more—by the Defense Department has knocked the picture out of kilter. Unless revenue yields increase sharply this month, virtually all surplus will be wiped out and a possible deficit incurred.

Unless the fiscal 1958 budget is cut substantially, a budget deficit is also a strong probability in the new year.

Promised tax reductions, though justified, further aggravate the problem. Thus, strong economy advocates will be forced to hold the line for present revenue rates until better control of expenditures is won.

## LABOR

The coercive effect of picketing, spotlighted by the McClellan Committee's investigation of the Teamsters, is now undergoing careful scrutiny by the National Labor Relations Board.

The Senate subcommittee heard testimony alleging the use or threatened use of picketing to extort money or to coerce an employer into signing a contract forcing his employees into the union regardless of their wishes. Peaceful picketing, although concededly coercive, may be privileged where a labor dispute exists and will not generally be enjoined by either state or federal courts.

The NLRB is considering the coercive effect on employees of picketing by a union after the employees had voted to reject the union as their bargaining representative. The Board is reviewing five cases where trial examiners handed down conflicting decisions on the legality of this "postelection picketing." The Board's decision will determine whether such activity is a violation of Taft-Hartley.

## NATURAL RESOURCES

The strength of the economy drive in Congress may affect the expansion of the Tennessee Valley Authority. TVA has been asking Congress for more money to expand steam facilities—its ultimate aim is to get \$150 million a year for new power supply. In recent years, however, Congress has not voted the amounts requested by TVA.

With appropriations dwindling, TVA has been reinvesting power receipts instead of returning them to the Treasury. Opinions differ as to whether this procedure is in accordance with congressional intent in a 1948 law.

Uncertainty about applying power income to new construction has led TVA to propose issuance of revenue bonds to supplement appropriations and power earnings. Bills now before Congress would authorize TVA to issue revenue bonds and finance power expansion without control by the Treasury or Congress. The bills place no limit on the amount of money or locations of new power facilities.

As proposed, the revenue bond plan would obscure the government's debt picture, set up a dual budget, and subordinate the present billion-dollar investment to new investments financed with bond receipts.

## TAXATION

Talk of tax reduction is being renewed—most of it aimed at helping taxpayers in the lowest income bracket. The most talked of method would increase personal exemptions, usually by \$100, but one suggested method would graduate exemptions according to an age schedule on the theory that dependents, up to age 21, represent an increasing financial burden.

Bracket rate revision is getting little consideration.

Tax reduction proposals are based largely upon a belief the budget can and will be cut enough to allow for taxpayer relief. While this isn't assured, it is a fair prospect.

Small business relief received a setback through preliminary discussion of the Administration's new plan. Basically this plan proposes a broader and faster write-off for investment losses. But it would apply almost entirely to new investment and small corporations.

The Mills Subcommittee of the Joint Committee on the Economic Report plans this month to hold another series of panel discussions on the need for tax cuts and their effect on the economy. (See page 16).

## TRANSPORTATION

A new common carrier express service for small shipments, specifically designed to overcome vexing foreign trade problems for the average shipper, promises to promote a greater flow of import and export trade.

Mention of foreign commercial transactions usually suggests problems in finance and foreign currency, customs, numerous shipping forms, foreign forwarding agents, carrier responsibility which progressively shifts from one mode of carriage to another, widely differing laws and regulations.

The new World Thruway Service, now in operation between some 32,000 American communities and points in 16 foreign countries, provides for single carrier responsibility from origin to destination; a single shipping document; single through charges, prepaid or collect, based on published rates; a negotiable type export bill of lading; and the availability of full customs brokerage services. Railway Express Agency, recent originator of the service, has arrangements pending for service to 39 more nations.



AUTHENTICATED NEWS



## SOUND LAWS

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from the Chamber's headquarters in Indianapolis, researchers and publicists directed their energies to this end, working constantly against a superior number of union lobbyists who were striving to block passage of a right-to-work law.

A key factor in developing favorable relations with legislators was a series of breakfast briefings conducted by the State Chamber and to which the lawmakers, regardless of party or past position on legislation, were invited. The first breakfast was held in Indianapolis Jan. 15, just five days after the 1957 legislature was called to order.

Two elected state officials also helped to win support of legislators to the right-to-work cause. They are Lt. Gov. Crawford Parker and George Diener, Speaker of the Indiana House of Representatives. In speeches during their campaigns for reelection last fall, and earlier this year, both men made strong appeals for passage of right-to-work.

Significant, too, was the role which staff officials of the Indiana State Chamber played in following the right-to-work proposal through both houses of the General Assembly. They continued their liaison

to veto the right-to-work proposal. Some of the placards read, "Down with the Chamber of Commerce," others urged a boycott of chamber member firms.

At last report this boycott had not reached serious proportions in any section of Indiana.

### Emphasize public stake in issue

Business organizations in Indiana did everything possible to dispel the notion that the right-to-work campaign was purely an employer interest. The first step was the incorporation 11 months before the 1957 legislature convened of The Indiana Right-to-Work Committee.

Stephen C. Noland, president of the committee and former editor of the *Indianapolis News*, says some of the most powerful ammunition in support of right-to-work came from union members contacted by his group. Many of them bought \$1 memberships in the organization.

"For more than a year a wave of revulsion has been sweeping this state as the result of high-handed tactics by union bosses," says Mr. Noland. He says this feeling was bolstered by indignation over the shooting last Feb. 13 of the five-month-old daughter of a nonstriking worker at Oakland City, Ind. The child was asleep in her parents' trailer when it was blasted by gun-

The wounding of the five-month-old girl at Oakland City is known to have swung at least one crucial vote in the General Assembly and it fanned editorial support of right-to-work by most of Indiana's newspapers.

Evidence that the clamor for right-to-work was general and not confined to employers came when the General Assembly began hearings on the right-to-work proposal. Only one businessman testified on behalf of the bill. All others who testified for right-to-work were rank and file union members.

The opposition witnesses, on the other hand, were all union officials.

An important value of a non-partisan, independent right-to-work committee such as that formed in Indiana is that it does not carry any label permitting anti-right-to-work groups to say that it is just another employer organization.

The only dark spot in the Indiana right-to-work picture is the fact that the work law did not become effective immediately. Instead, it will become effective sometime next month when copies have been printed and distributed to appropriate authorities in all counties of the state.

In this interim, many of the unions (Indiana is the nation's sixth-ranking state in terms of number of organized workers) are pressing for contract reopenings to obtain extension of union shop clauses for the life of their contracts. In some instances the unions are offering no-strike pledges and other concessions in exchange for extension.

The four business groups which cooperated in the right-to-work battle are urging employers not to accept the union bait. They argue that the law was passed to protect the basic human rights of individual employees, not to guarantee employers labor peace, and ask employers to honor their obligation to respect their employees' rights.

The victorious right-to-work forces in Indiana feel sure that the state's unions will make a concerted push for repeal when the General Assembly next meets in 1959. For that reason they intend to continue their campaign in defense of right-to-work, with special emphasis on educating all residents of the state to the principles of the competitive enterprise system and the importance of individual freedom as symbolized by such measures as right-to-work.

The unions, for their part, do not deny their determination to get the law repealed, and to defeat legislators who voted for it, although some labor leaders say privately that the cause may be a lost one. **END**

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"... without a right not to join there  
can be no such thing as a right to join."

—THE REV. EDWARD A. KELLER, C.S.C.  
University of Notre Dame  
in "The Case for the Right-to-Work—  
Laws: A Defense of Voluntary Unionism"

---

work with the legislators right up to the final vote. The importance of this effort is attested to by the fact that right-to-work passed the Indiana House by a slim margin of three votes and the Senate by an even slimmer margin of one vote.

Republican Gov. Harold W. Handley let the bill become law without his signature—a governor's prerogative in Indiana. A last-minute mass demonstration of union members failed to sway him.

The demonstration, incidentally, proved to be disappointing from the union point of view. Union leaders had called for a march of 25,000 workers, but fewer than 10,000 showed up in the capital.

The demonstrators, in a holiday mood, swarmed around and through the capitol building carrying placards calling on Governor Handley

fire. The incident occurred in the course of a strike of the International Association of Machinists against an Oakland City firm. The child's father, an employee of the company, had been crossing a picket line to go to work.

The bloody, 129-day strike at the Perfect Circle Corporation plants in New Castle, Hagerstown and Richmond, Ind., also added to the sentiment, as did disclosures of corruption in the ranks of union leadership by the U. S. Senate investigation of improper activities in the labor-management field.

"Hoosiers are an individualistic breed," says Mr. Noland. "As I see it, the unions failed to reckon with this trait in the people of our state. The feeling has been building up here for a long time that union leaders have abused their power."



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## MANAGEMENT

*continued from page 37*

present, and direction to the future. It gives a depth to his understanding of what must be done now. This is not to be confused with a vague, watered-down orientation type program of unrelated interesting points, but a hard-headed exploration of issues and power relationships. This is, in short, the understanding of the environment of business—as hard-boiled a concept as any you can mention. The Randalls, the Woods, the Sloans, and many others have this sense.

The armed services have provided this kind of association with the past and a sense of identification with the whole by their series of service colleges and special schools. Many a good officer is better because his decisions are fortified by a familiarity with a tradition of decision-making.

In the know-how and leadership areas of development, a good university program can make a useful contribution in the speed-up or economic sense—provided you send to school a man who can benefit. The third area is essential to the policy or general manager level and assumes the student already has effectiveness in the first two areas. Understanding and development in this area can be almost uniquely provided by a good university program provided, once again, we get a good man.

But it is essential to keep the role of each program separate in thinking about the kind of man you send.

Concentration on the know-how area never stops at any age, but it is principally one that is appropriate for the younger man, to a graduate student, and to the broadening of a young executive.

The leadership area is most appropriate for the manager after he has already had some experience and seeks to sharpen his understanding of his own leadership approach.

The third area is typically best timed for the man who has, in a sense, arrived and who has shown great ability in know-how and leadership.

There is obvious overlap here, but the main point is that the character of the program should be related to the stage of the man's development as a manager. Anything less bores the good man and confuses the ineffective one.

In the spring of 1956 Massachusetts Institute of Technology inaugurated, on a purely experimental basis, a 10-week Program for Senior

Executives, designed for men who were in their forties and early fifties, who were at the level of vice president and a step below, and who had potential for further advancement in their companies. Later, additional pilot sessions were carried on. The curriculum included:

In the area of know-how appropriate to a senior manager, a seminar in corporate finance and an opportunity to review the functional areas of business;

In the area of human behavior and leadership, a laboratory seminar designed to help them review the significant research in the area;

Major stress was in the area of the environment, with broad study in economics and finance, the environment of politics, community, group and individual pressures, law, industrial history, and the impact of technology on management.

We worked the men exceedingly hard, exposed them continuously to our senior professor level and their response greatly heartened all of us. What have been the results?

There is evidence that we have encouraged development at the know-how and leadership levels.

There was almost unanimous approval and hunger on their part for the work at the environmental level. This seemed to be more than the typical rest and recuperation results that flow from almost all university executive development programs—the sense of association with good fellows of other companies who are also resting and recuperating from their service at the front. We saw signs, at least, that this diet of reading, discussion, and reflection had encouraged development at a most important level of management—rethinking through some of the basic policy approaches to the problems of their companies—in short the innovative spirit.

### **Two kinds of managers**

One can note two kinds of managerial functions in the process of management of a firm.

The first can be called administrative management: The purpose here is to carry out the business of the firm effectively, buy, produce, sell, control, hire, fire, and finance.

These are the business of business. But in a sense, these functions all take place in a framework of decision that has been set by some one or some group which had the basic entrepreneur idea for making a profit. Those who hew to the line in carrying out business within the framework must be skilled and seasoned administrative managers.

But there is another type of manager—typically high on the totem

pole—who in addition to being an effective administrator is the innovative manager. It is he who keeps the company alert and alive to changing conditions, who is sensitive to trends and aware of shifts. These kinds of managers together make the difference between the progressive, dynamic company and the one that is slow and lethargic.

The question is, how do you encourage the spirit of innovation?

There is no sure answer to the question but it is certain that the university program has its greatest potential role in the training and stimulation of the innovative type manager.

Alfred N. Whitehead once said that, "The greatest invention of the Nineteenth Century was the invention of a method of invention. To understand our epoch, we can neglect the details of change such as railways, telegraph, radios, synthetics, and concentrate on the method itself. That is the real novelty which has broken the foundations of the old civilization." We know a little about that method. The stages of a new idea are four:

1. Preparation—investigating the problem in all directions (he must have know-how to understand the problem).
2. Incubation—consciously thinking of the problem (he must analyze the alternatives in a disciplined fashion).
3. Illumination—the appearance of a happy idea together with the psychological events immediately preceding this.
4. Verification—checking to see that it works.

And the third stage is the critical one.

There is enough evidence that these illuminations do not come at the desk. They come suddenly from a fertile mind that has been allowed to roam first consciously and then almost unconsciously through a problem. Often this stage is kicked off by dealing with a different but stimulating set of ideas. One hears often a manager who in the process of dealing intellectually with something else says, "Say, that gives me an idea. Why don't we try . . ." And everyone has had the same experience.

If we in the university take your best managers—the comers, the experienced, the fighters, the bright, the men who love the life of business and are committed to it—if we expose them to a jolt of excellence in the form of their confreres and professors, if we give them a chance to read and reflect away from the press of production, there is a good chance that this incubation process





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they're needed . . . Actually it's a new way of life, this truck you're passing in the night, for with their flexibility and speed, their ability to go wherever there are roads, trucks have changed our whole pattern of living. Today, because of trucks, we can live and shop wherever we please — and mills and plants can locate just about anywhere, too . . . America is growing at a rate and in directions undreamed of a generation or so ago and made possible to a large extent by the trucking industry, expanding to serve you.



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## MANAGEMENT

*continued*

will help them to come up with the illuminating idea.

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A management must consider what it wants the program to accomplish for its man and this has been our joint problem: Few companies, even those with a great deal of experience, have yet figured out what they expect from a university program to which they send their men (apart from relatively mild notions of rest and a chance to learn). This is the university's fault as much as the company's.

There is a place for the university program specializing only in the development of your second-best manager. But if the company is settling for this, it is being short-changed.

The company has a right to expect its man to develop in terms of a broader range of know-how, his leadership and his understanding of the business environment.

And finally, it has a right, in a senior program, to expect him to develop as an innovator and not only as a better administrator or, even less, as only a better employee. But if these high results are expected, the company must send the best man it has.

Finally, there is one more proviso in all this. Consider what is going to be done with him when he returns. Don't expect to send him away to be developed and then give him no chance to exercise his new skills and his new enthusiasm. Give him something he can get his teeth into, let him work in a climate that does not negate all that has been encouraged. That is the best way to frustrate a good man and kill a mediocre one. Over the years, the companies that have realized the most from their investment in the Sloan Program are those who:

- ▶ Selected carefully the man to go.
- ▶ Gave him a chance to show what he had when he got back.

This is a reasonable prescription for any good program, because it is back in the company where the development must pay off.

END

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# BUSINESS PROBE HAS THESE AIMS



## Here is how a Senate subcommittee plans to investigate pricing practices

A NEW CONGRESSIONAL investigation of business will open this month. It is based on two assumptions:

1. That prices in many industries are administered.
2. That concentration or bigness in business permits this.

The investigating group is the Antitrust and Monopoly subcommittee, a panel of the Senate Judiciary Committee.

Sen. Estes Kefauver is chairman. ▶ The committee has no legislative proposals in mind and you can expect none to be developed—at least not this year.

The committee's staff is headed by Dr. John M. Blair, chief economist, and Paul Rand Dixon, chief counsel and staff director. Both are long-time careerists of the Federal Trade Commission and were personally requested by Senator Kefauver.

An administered price, as it is explained by Senator Kefauver, is one "fixed other than by the law of supply and demand."

Dr. Blair suggests the definition by Gardiner C. Means, an economist who is expected to testify sometime during the hearings:

"By market prices I mean prices

that are made in the market as a result of interaction of buyers and sellers . . . By an administered price I mean one which is set by administrative action and held constant for a period of time. We have an administered price when a company maintains a posted price at which it will make sales . . . For administered prices, the price is rigid, at least for a period of time and sales fluctuate with the demand at the rigid price."

The investigation will probably take two or three months. Findings, Senator Kefauver says, will partially determine whether the inquiry will be continued next year and to what extent.

The investigation will go into steel, oil, copper, automobiles, aluminum, newsprint, certain types of food, the meat industry, farm machinery, and others.

"I would rather not attempt to name them all," the Tennessee senator told NATION'S BUSINESS.

First witnesses, Dr. Blair says, will be a number of economists who have studied and written extensively on administered pricing. They are expected to appear about mid-June. Other witnesses will include repre-

sentatives of government agencies such as the Federal Trade Commission, Departments of Justice, Commerce, and Labor, and the Council of Economic Advisers.

"We also want to hear from various organizations which are interested in the subject, such as trade associations and consumer groups, labor organizations and others," Senator Kefauver adds. "Then, eventually, of course, we would hear from industry representatives themselves."

Setting the stage for this investigation, Senator Kefauver declared recently:

"The high cost of living, the number one domestic problem for the American consumer, is due in no small part to the upward manipulation of prices by big companies in administered price industries."

The distinguishing characteristic of "administered price industries, which sets them apart from normally competitive industries," the senator said, "is the possession of monopoly power by a few big companies which produce most of the industry's output."

In some administered price industries, he continued, decreases in production have accompanied increases in price. He interprets this to mean that the industry is not only charging the consumer more but is providing fewer jobs for labor.

Will the committee find evidence of unlawful practice?

"The term administered price," says Dr. Blair, "is not synonymous with an unlawful or conspiratorial price. In many industries prices are administered without being accompanied by any type of activity which could be regarded as unlawful."

To this, Senator Kefauver adds: "The present technique seems to be not to reduce things to writing so that there is tangible evidence. But the result, as far as the public interest is concerned, is just the same as if there had been a conspiracy."

In industry, Mr. Dixon adds, this is sometimes referred to as price leadership.

"In other words, from a concentration angle, there may be 20 firms in an industry, with three or four big enough to dominate. There is a tendency for the others to tag along—not compete. Competition disappears."

Administered prices, according to Senator Kefauver, are a significant factor in the cause of inflation.

"Much of the present inflationary spiral," the senator says, "appears to arise from price increases in administered price industries. The tight money policy now in effect can have little influence on such price



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## BUSINESS PROBE

continued

increases since the big companies in administered price industries can and do raise prices even when demand is falling."

Most of the price increases in the past year, says Dr. Blair, "have occurred in administered price industries. There have been few price increases in what might be called the free market price areas."

The Senator feels that administered prices are widespread and are "affecting more and more industries to a greater extent as concentration increases through mergers and consolidations."

As to the effect of competition on price determination, he says, "I suppose competition may prevent the administered price from being higher than it is. . . . There undoubtedly still remains some varying degree of competition which keeps the administered price from going up and up."

What does the committee staff think is management's criteria in setting prices?

"Those are the things we would like to find out," says Dr. Blair.

Although some new legislative proposals may result from the hearings, Senator Kefauver told NATION'S BUSINESS, it's too soon to say what they will be.

Concerning the purpose of the investigation, Dr. Blair explains:

"There is no premeditated idea that motivates us or underlies this hearing. This is being approached with an open mind with respect to what type of legislation, if any, might be found to be proper."

The subject of administrative prices is not new to Dr. Blair.

With a B. A. degree from Tulane University (1936), he attended American University and was awarded a Ph. D. in 1938. He has served with various government agencies as economist, joining FTC in 1946.

He has written extensively on such subjects as price discrimination in steel, price policy and business behavior, technology and size, the effect of mergers and industrial concentration.

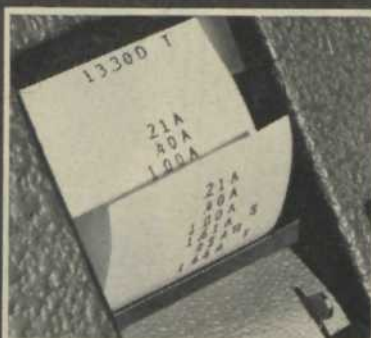
In a book, "Seeds of Destruction," published in 1938, he explored "the functional weaknesses of capitalism" and attempted to "discover just what actually are the basic dynamic forces within capitalism which might contribute toward its downfall."

He found that capitalism violated four self-evident truths—"self-evident truths in that, as ways of functioning, they must not be violated by capitalism, or by any other industrial economy, if it is to distribute



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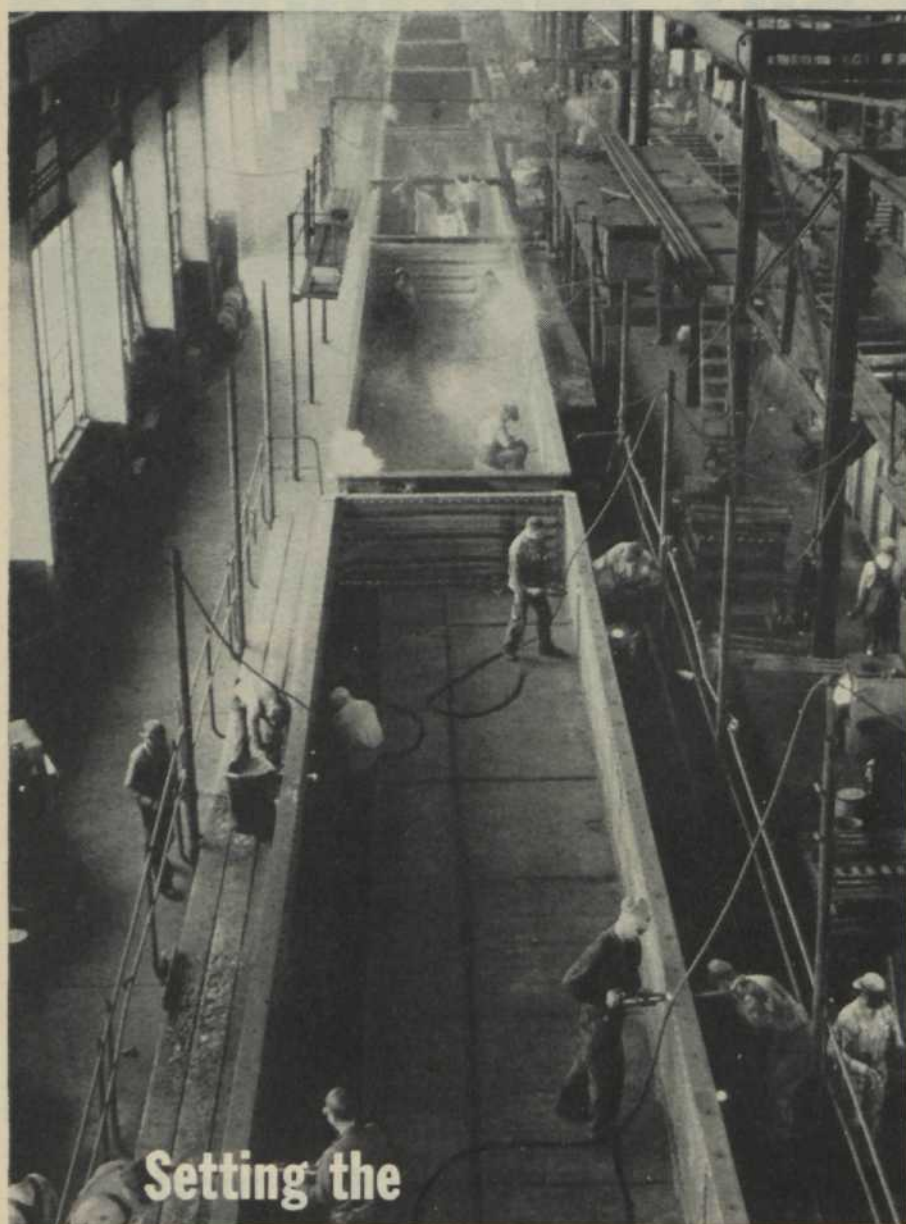
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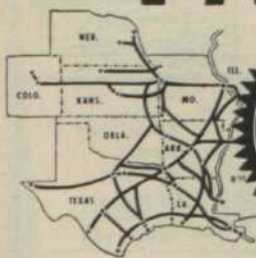


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## BUSINESS PROBE

*continued*

enough purchasing power to take more of the goods produced off the market."

Dr. Blair's truths are:

First, that capitalism must not cast out of employment a progressively increasing number of workers nor lower the relative wages of those employed.

Second, that capitalism must not progressively raise prices without correspondingly raising wages.

Third, that capitalism must not distribute a large portion of its income to the upper income groups.

Fourth, that capitalism must be ever expanding.

His conclusions, basically, were that business and industry were not only violating these axioms in 1938 but that they might be expected to continue doing so.

As Dr. Blair saw the situation in 1938:

"Concentration in any of its many forms merely makes it possible for businessmen to put into active operation policies which most of them desire as protection against the rigors and risks of price competition. . . .

"If their industry is centralized, their chances of accomplishing such an end are unquestionably better. . . . Businessmen are not to be condemned for adopting policies which, though they lead to a decrease in purchasing power, arise inevitably out of the very workings of the capitalistic system. But regardless of the obvious irrelevancy of the general question of opprobrium, the hard facts remain, showing that a significantly large segment of our economy has been raising prices higher and faster than wages."

Capitalism, he concluded, distributes a large share of its income to members of the higher income groups and they utilize "a large and increasing proportion of their income in such ways as to make it ineffective as mass purchasing power."

He also felt that business was not expanding as it should:

"What incentive is there in the modern corporation for the control to embark upon a program of expansion? Expansion involves risk to a greater or less degree, and why should the control wish to undertake that risk? If the expansion is unsuccessful, the members of the control will lose their prestige if not their positions, and, if it is successful, the control, owning little or none of the corporation's stock, will not materially share in the profits made as a result of such action. . . . Also expansion necessitates a great deal





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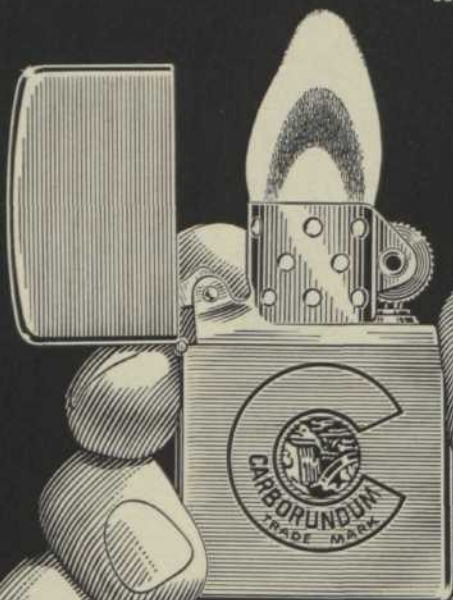




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## BUSINESS PROBE

*continued*

of work, worry and strain for the members of the control, and why should they take on themselves that work, especially as they receive little from it even if its results are successful? The desire of the members of the control not to take risks, not to undertake terrific work, not to threaten the safety of the company, but rather to maintain things as they are and make their profits by speculation is perfectly understandable."

For these and other reasons, Dr. Blair saw little hope for any industry in 1938. The motion picture industry, he said, had reached, if not passed, its great period. Natural gas was suffering from competition, unlikely to reach its 1928 peak. The radio industry which once had 5,000 producers, now was dominated by one company and there was "sufficient plant capacity to supply many times over any conceivable future market demand."

Aviation, too, had stormy horizons. Chemistry was difficult to speculate about. What new products

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—Boyd Campbell

would be turned out would only harm the industry whose goods they replace.

"There are few potential new industries to begin with, and nearly all of those which do have possibilities of growth would, in growing, wreak havoc upon the established industries they replace."

The Blair remedy for capitalism's ills consisted of four parts: raising labor costs, lowering prices, redistributing wealth, and forcing capitalism to expand continuously.

Nevertheless, the outlook for capitalism was grim. The Blair thesis concluded: "... The result, as a whole, cannot be interpreted as anything but a none-too-happy picture of capitalism and its probable future."

As chief economist for Senator Kefauver's subcommittee, Dr. Blair will have an opportunity to gather information to prove or disprove his analysis of capitalism. **END**



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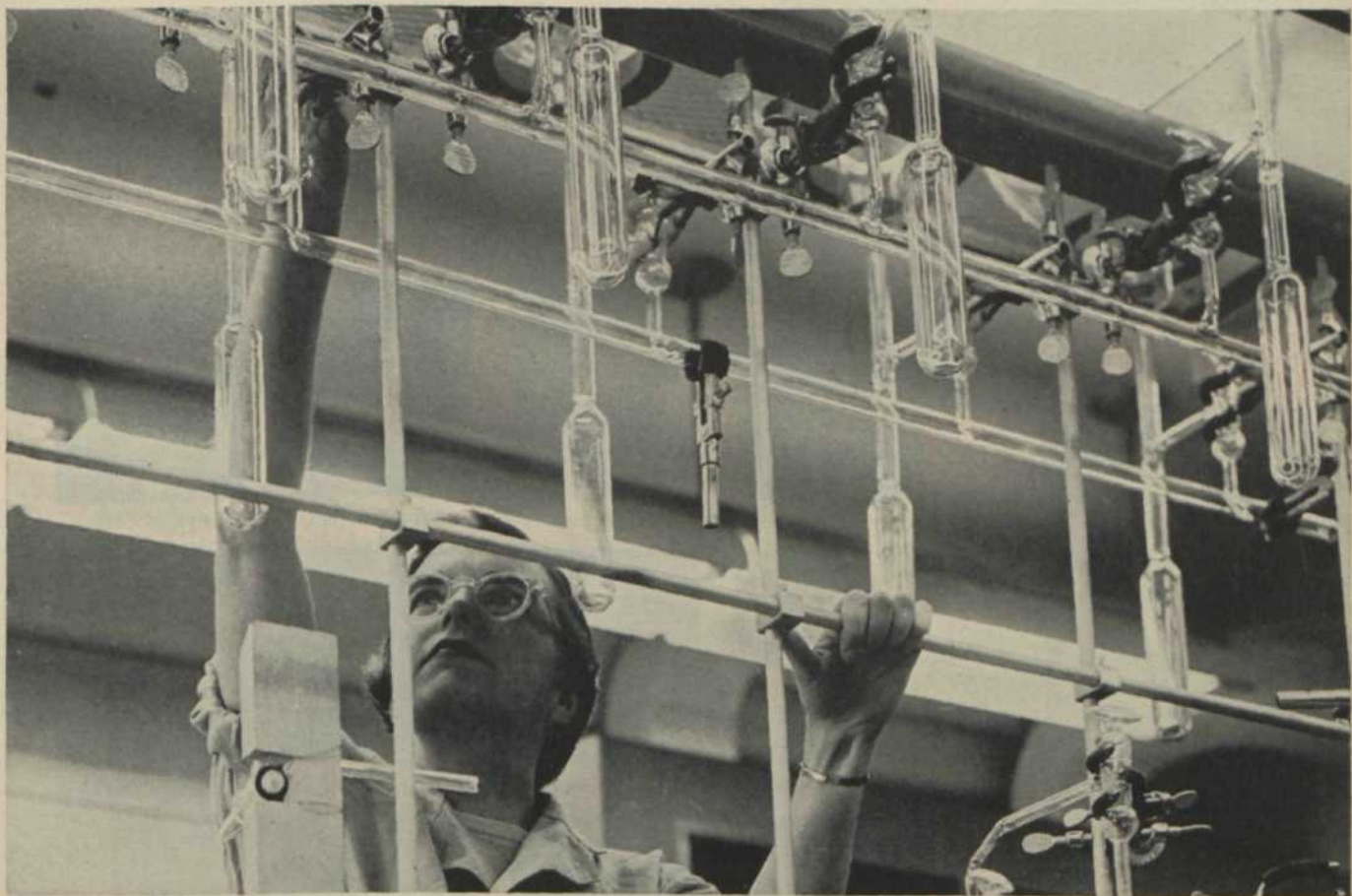
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GUDDARD

# Chamber's new leaders

FOURTEEN new officers and directors have been elected by the Chamber of Commerce of the United States.

Philip M. Talbott, senior vice president of Woodward & Lothrop department store in Washington, D. C., succeeds John S. Coleman as Chamber president. Mr. Coleman, president of the Burroughs Corporation, Detroit, Mich., becomes new chairman of the Board of Directors.

A. Boyd Campbell, chairman of the Board of the Mississippi School Supply Company, Jackson, Miss., is the new chairman of the Chamber's Executive Committee. Mr. Campbell was National Chamber president two years ago.

Elected for the first time to serve as directors are:

Third District: Robert G. Kelly, Charleston, W. Va., Jackson, Kelly, Holt and O'Farrell law firm.

Sixth District: Walter A. Sheaffer, II, Ft. Madison, Ia., president, W. A. Sheaffer Pen Co.

Seventh District: Robert A. Finney, Humboldt, Kan., general manager, Humboldt Brick & Tile Co.

Ninth District: Sam C. Hyatt, Hyattville, Wyo., rancher.

Elected to represent the Chamber's business divisions are:

Insurance: Mortimer E. Sprague, New York City, vice president and secretary, The Home Insurance Company.

Manufacture & Industrial Development: Elmer F. Pierson, Kansas City, Mo., chairman of the board, The Vendo Co.

Taxation & Finance: Richard Wagner, Chicago, chairman of the board, Champlin Oil & Refining Company.

Domestic Distribution: Franklin P. Williams, Detroit, president, S. S. Kresge Company, S. S. Kresge Company, Ltd., of Canada, Mount Clemens, Mich., Pottery Company.

Agriculture: Harry E. Umphrey, Presque Isle, Maine, president, Aroostook Potato Growers, Inc.

Director-at-large: Jack H. Abernathy, Oklahoma City, Okla., president, American Association of Oil Well Drilling Contractors, vice president, Big Chief Oil Drilling Company of Oklahoma City.

Wendell H. Ford, Owensboro, Ky., partner of E. M. Ford and Company and immediate past president of the United States Junior Chamber of Commerce.



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BENYAS



A. Boyd Campbell

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## LABOR DRIVE

continued from page 30

"I am convinced," the president of the Machinists Union says, "that with adverse legislation, with the climate against organized labor, the labor movement will become more militant. We will move to recoup our losses."

The AFL-CIO in its efforts to minimize corruption in labor unions needs help from the Senate committee, according to Mr. Hayes, whose committee is investigating corrupt activities in the Teamsters, Bakery Workers and other unions.

"We have asked the committee for cooperation," he says. "The AFL-CIO is a loose, voluntary organization. We cannot force people to appear before us. Nor can we force them to tell the truth when they do."

Msgr. George G. Higgins, director of the National Catholic Welfare Conference's Social Action Department and a confidant of many top labor leaders, agrees that "the net effect of the Senate investigation will be good for the labor movement."

"We are fully confident," he wrote in the weekly *Catholic Standard*, "that the labor movement will emerge from the present crisis not only cleaner but stronger and much more effective than ever."

Mr. Meany and other friends of labor have repeatedly expressed confidence in the objectives of the Senate committee. Nevertheless some lesser officials are accusing the committee of antilabor motives.

The eight-man committee is evenly divided between Democrats and Republicans. On performance thus far it is generally regarded to be conducting a fair and objective investigation in the public interest. The committee's chief counsel, Robert F. Kennedy, is a brother of labor-backed Sen. John F. Kennedy, a committee member. Their father, Joseph P. Kennedy, was ambassador to Great Britain under President Roosevelt.

Here is a more detailed look at the investigation's impact:

### Collective bargaining

Most observers agree that bargaining will be tougher because the labor leadership will feel that it has to show the workers that it can get more for them than those under suspicion got.

It is too early to note any change in the scope or intensity of union bargaining demands. Although wage negotiations important to many individual companies are taking place

this year, the big tests won't come until next year when key contracts are open in the automobile, trucking, electrical, aircraft, glass and other major industries.

All eyes are on the automobile industry because of its potential as a pattern setter, the determination of Walter Reuther's United Automobile Workers to fatten auto workers' weekly pay checks while working fewer hours, and Mr. Reuther's an-

in Detroit on Jan. 22 and 23 to formulate the union's demands and to make plans for increasing the \$22 million strike fund from which benefits will be paid to all strikers instead of only to the needy, as in the past.

The UAW's regular biennial convention in April went on record in favor of demanding a shorter workweek and conducting an educational and public relations program to sell

## MEANY HITS LABOR RACKETS

The AFL-CIO is meeting the problem of corruption in unions head-on. Racketeering and true trade unionism have nothing in common. They cannot mix. The interests of the workers we represent command that they be protected from corrupt leadership.

American labor has come of age. We have responsibilities not only to our own members, but to the public and to the business community as well. Only a clean, effective and forward-looking labor movement can meet those responsibilities.

In the final analysis, the elimination of corrupt practices, whether by the public authorities or by the trade union movement itself, will be beneficial to organized labor and we will profit by it.

Legislation to protect the funds of union members and encourage democratic practices will receive the full support of the AFL-CIO. On the other hand we will fight to the last ditch against any legislative proposals aimed at weakening or destroying basic trade union functions.

The current investigation will not deter trade unions from proceeding vigorously toward our collective bargaining and organizational goals. We are convinced that our efforts to increase purchasing power and improve the American standard of living serve to strengthen the national economy and thus prove beneficial to industry and agriculture as well.—GEORGE MEANY, president, AFL-CIO

nounced support of the racket investigation and condemnation of Dave Beck and other union officials.

From Detroit, NATION'S BUSINESS received this appraisal from a competent labor relations observer:

"Mr. Reuther's quick movement to line up on the side of the righteous is seen as a move which will make bargaining tougher, rather than easier.

"He will be seeking to demonstrate to his members and the world that the side of the righteous is, after all, the most productive side; that the gains he can win, being honest, far exceed those which can be won corruptly elsewhere."

The UAW is laying careful plans for its first negotiations with the major automobile companies in three years.

A special convention will be held

workers and the public on the feasibility and necessity of shorter hours and more take-home pay.

Employers having contracts with UAW have been asked to join with the union, before negotiations begin, in studies of problems related to a shorter workweek.

General Motors was the first to reject the invitation because it believed the union had a fixed position and was really trying to open negotiations a year earlier.

The UAW will also press for improvements in the pioneer supplemental unemployment benefit plan it negotiated two years ago. UAW's SUB experts played major parts in a recent national conference on SUB problems conducted by the AFL-CIO's Industrial Union Department. Mr. Reuther is IUD president.

UAW's research director, Nathan





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## LABOR DRIVE

*continued*

Weinberg, who laid much of the ground work for SUB, has been relieved from this post so that he may spend full time on such long-term questions as the effects of automation on auto employment, the shorter workweek, and expansion of SUB plans.

After much clamoring by technical and skilled members, UAW has decided to give these groups a greater voice in bargaining and the right to decide on contract terms affecting their jobs. This will create new bargaining problems for management and increase the possibility of strikes.

### Legislation

Minimum federal legislation will require registration, reporting and public disclosure of employee welfare and pension funds, and public disclosure of union general funds, as recommended by President Eisenhower.

The AFL-CIO supports such legislation, and would extend it to cover welfare and pension funds administered by companies, as in the steel, automobile and electrical industries, where unions bargain as to benefits with little concern over how they are provided. Abuses have not been found in these plans, but in union and joint union-management plans.

Nevertheless, Mr. Meany says, "Health and welfare plans, whether operated by unions, by management or by both jointly, are funds held in trust for the benefit of workers and should be completely safeguarded from corruption and from mismanagement."

As to union financial reports, Congress will likely go beyond simple public disclosure and require that they also be checked for accuracy.

There is less likelihood, at this time, of other legislation which some feel is necessary to cope with improper activities uncovered by the McClellan Committee.

A national law to protect the right to work without joining a union is not in sight unless it is passed as part of civil rights legislation. But the Senate disclosures did squash labor's hopes of repealing Section 14(b) of Taft-Hartley law which permits state right-to-work laws now on the books in 18 states. They also have renewed state interest in right-to-work legislation.

Also doubtful is legislation to protect individual members against arbitrary power of union officials; to regulate union elections, conven-

tions and other internal procedures; to give unions and business equal treatment under antitrust laws; to plug secondary boycott loopholes; to deal with picket-line violence, coercion and other labor abuses.

### Labor lobbying

Organized labor's ability to affect legislation is at a low ebb and will likely continue so while the investigation lasts. But it is expected to regain and possibly increase its effectiveness when the scandals are forgotten.

Unions, moreover, are expected to expand and intensify their lobbying and political activities, feeling that they will have to do so to prevent enactment of legislation they consider antilabor.

Right now, labor lobbyists are going slow. They know that, in the present climate, legislative action is likely to fail or even to boomerang. They are engaged largely in a holding action.

Taft-Hartley amendments are an example. Labor does not want Taft-Hartley opened for amendments because, in its present mood, Congress might insert a national right-to-work provision, tighten secondary boycott loopholes and pass other amendments that are opposed by labor officials.

Labor lobbyists feel that the investigation has hurt chances of expansion of minimum wage coverage this session and was a factor in the Labor Department's budget cut.

### Political action

Labor's political effectiveness will likely suffer for the next few years, although it may not diminish enough to affect control of the next Congress or the White House in 1961.

Some feel that the Democrats will be hurt most because they have received most of labor's backing in the past. The Republicans, on the other hand, can't point fingers because it was they who were supported by Mr. Beck and most of the Teamsters Union officials implicated in improper activities.

Director James L. McDevitt of the AFL-CIO Committee on Political Education insists that the Democrats will increase their majority in Congress in the next election on the basis of historical trends. It is traditional, Mr. McDevitt says, that the party in control of the White House loses membership in Congress in off-year elections.

This you can be sure of: AFL-CIO and other labor organizations will intensify their political activity rather than retreat.

"We will intensify our political

activities," Mr. McDevitt says, "because our people are more concerned now—when they can see reactionary elements in Congress trying to capitalize on the sins of a few labor officials."

"We will make sure that both sides of the story are told."

Mr. McDevitt cites recent elections in Michigan, Texas and New Mexico to support his contention that organized labor can still be effective politically. In Michigan, the Democrats made sweeping gains in state contests. And in Texas, labor-backed Ralph W. Yarborough, a Democrat, was elected to the Senate in a special election.

In New Mexico, Democrat Joseph M. Montoya was elected to the House of Representatives in another special election with strong labor support.

COPE is already preparing for the 1958 congressional elections. Between April 27 and June 15, regional political conferences are being held in nine cities in this order: Boston, New York, Philadelphia, Detroit, Los Angeles, Albuquerque, N. M.; Kansas City, Minneapolis and Coeur d'Alene, Idaho.

The conferees are planning registration drives, picking candidates and discussing the problems and probabilities of the 1958 campaign. This year's state and local elections also are being discussed.

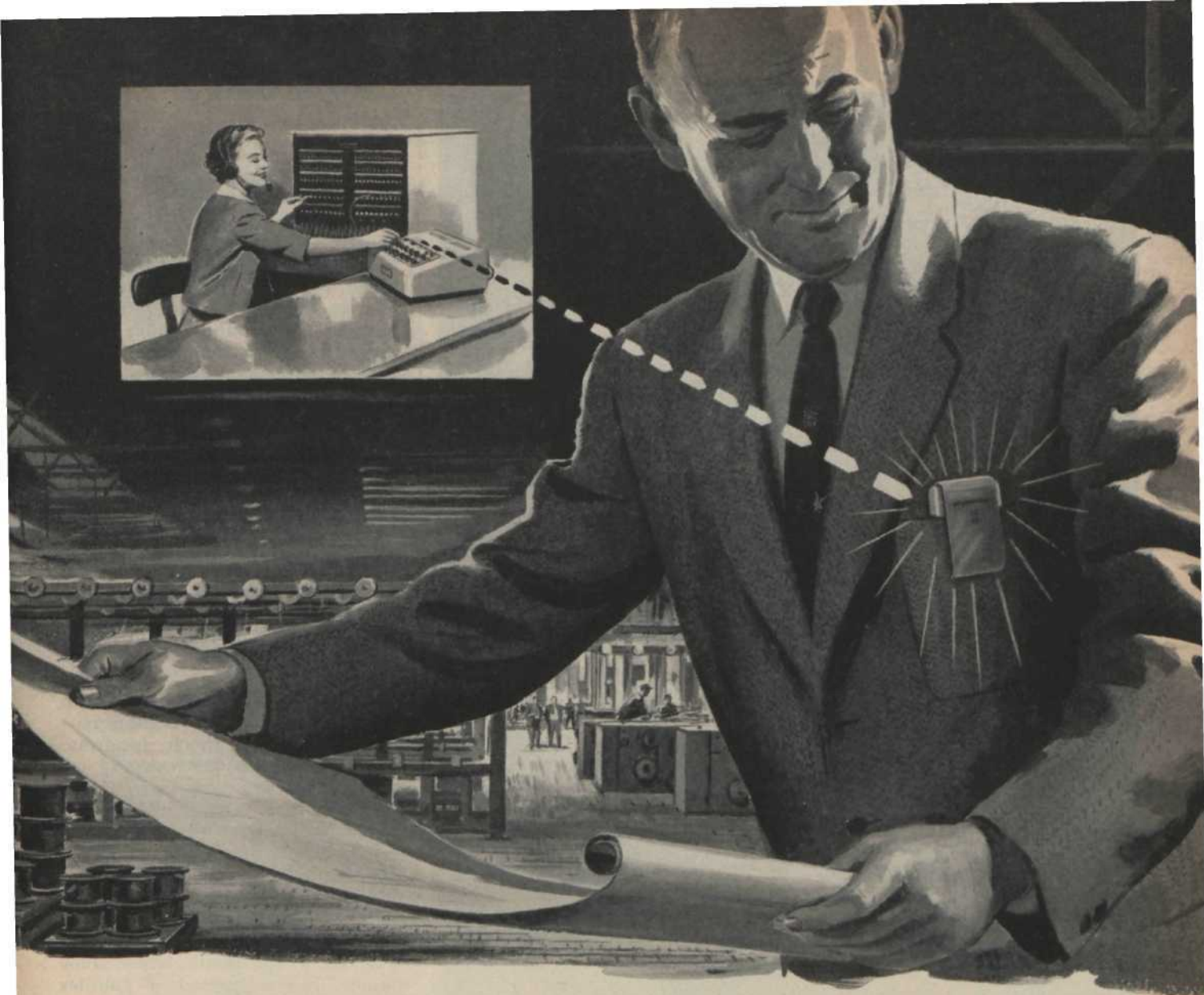
Labor wants to increase the number of what it calls "friends" in the Senate and House. In the present Congress, it counts a hard core of 39 friends in the Senate and 183 in the House. These are members it feels it can count on its side in a real showdown. On some issues it can influence even more.

Labor politicians are confident of making gains in the next Congress, particularly in the Senate. Of 32 senators up for re-election, only 10 are so-called friends of labor and almost all of these are considered safe—men such as John F. Kennedy of Massachusetts, John O. Pastore of Rhode Island, Mike Mansfield of Montana, Stuart Symington of Missouri, Henry M. Jackson of Washington, Albert Gore of Tennessee, Dennis Chavez of New Mexico, Democrats, and Irving M. Ives of New York, Republican.

Sen. Barry M. Goldwater of Arizona, a Republican member of the investigating committee, agrees that labor will intensify its political activity in the next election—"even though carrying on illegally," in his opinion, with respect to expenditure of union funds for political purposes.

"Many candidates," he told NATION'S BUSINESS, "will seek the sup-





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## LABOR DRIVE

*continued*

port of the working man rather than the union leader."

Senator Goldwater believes that Congress will pass legislation tightening up on political spending of all kinds, whichever way the decision goes in the coming UAW trial on charges of spending union funds illegally for TV broadcasts in support of political candidates in the 1954 election.

### Organizing

A big jump in the 16 million union membership was to be one of the first fruits of the AFL-CIO merger in December, 1955. Of about 30 million nonunion workers considered organizable, prime targets were the South and the white-collar groups, primarily 8.5 million in clerical jobs and 5 million professional and technical workers.

Even before the McClellan investigation, the organizing drive—with a special staff of 340 organizers—failed to make much headway. Large companies were already organized or their employees represented a hard core of union resistance. Rival unions inside AFL-CIO fought among themselves about how the organizing would be done and who would get the new members. The racial integration issue stirred up increased resistance to union organizers in the South, where some union leaders started a splinter movement.

Just as the AFL-CIO was turning its attention to white-collar workers, after a national conference in Washington, the rackets investigation hit the headlines.

Public and workers' reaction has definitely hurt organizing efforts. In Tennessee, AFL-CIO organizers blamed the Senate hearings for losing six straight union representation elections. Others were called off.

In some instances, organizers report, employers who have been resisting union representation elections are suddenly agreeing to them, confident that the union will lose. In some such situations, the unions have withdrawn their requests for elections.

Describing the atmosphere for union organizing in the South as the worst in 20 years, one AFL-CIO organizer reportedly wrote headquarters:

"This is not altogether attributable to the Senate investigation of labor racketeering, but also to many other factors of which you are familiar."

An increasing number of union

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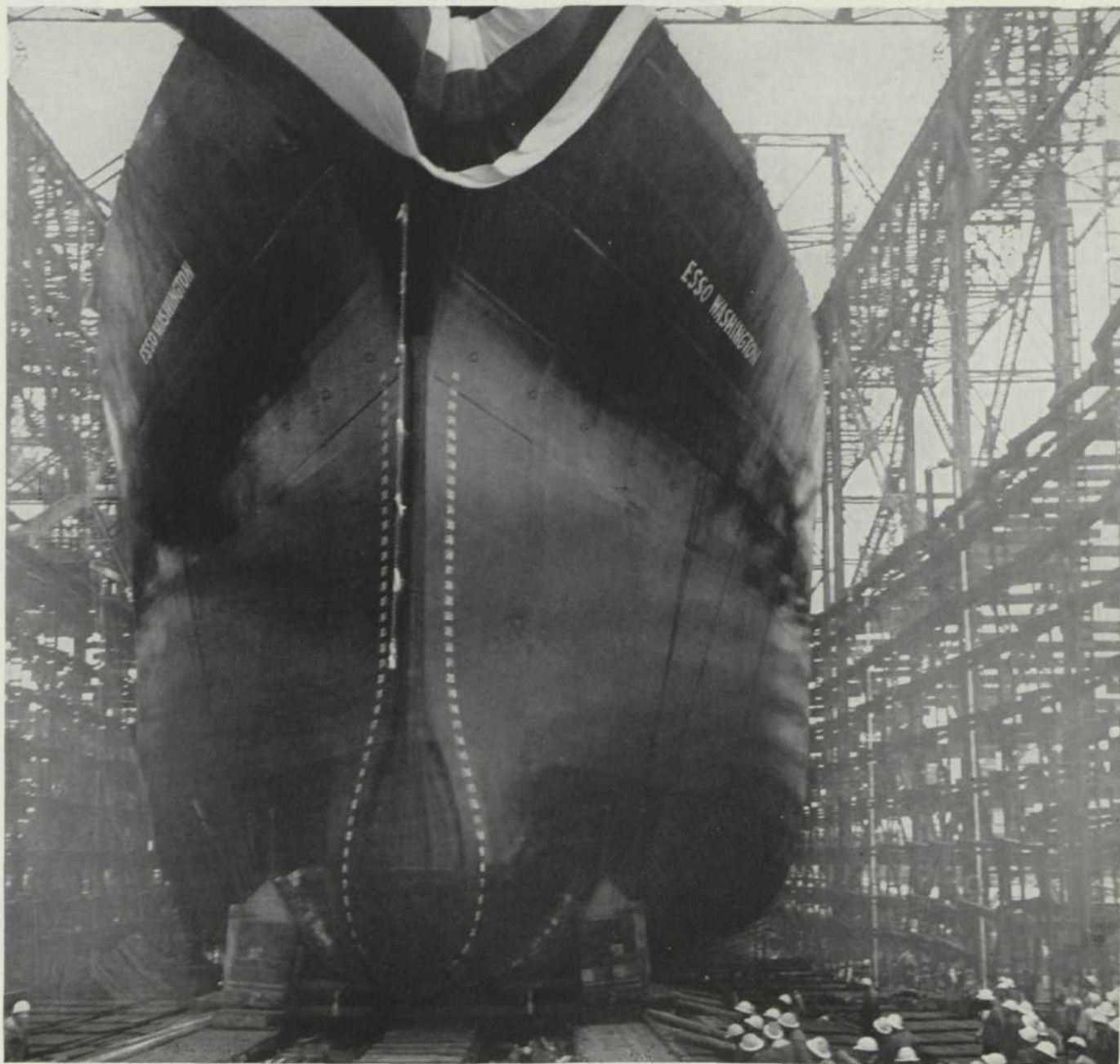
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sumer taxes and other payments from our operations brought to the United States and other governments a record \$2,171,000,000. That was five times the dividends to shareholders, more than double the payroll and benefits to employees.

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## LABOR DRIVE

continued

members are canceling dues check-off arrangements and dropping out of unions, according to John L. Kilcullen, a former aide to Secretary of Commerce Sinclair Weeks.

Mr. Kilcullen believes the Senate investigation will have long-range adverse effects on union organizing objectives if it lasts for more than a year.

Thomas E. Shroyer, former aide to the late Sen. Robert A. Taft who had a lot to do with writing the Taft-Hartley law, thinks the investigation will hold back union organizing for about three years.

A spokesman for the trucking industry said he has observed a definite slowdown in union organizing. Workers seem more reluctant to join and organizers less likely to apply pressure.

"It's part of the present climate," he adds. "Long range, there will be no change. Trucking organizing still will be as strong as ever."

### Inside unions

The Senate investigation seems certain to result in some changes in the internal operation of unions, particularly with regard to protecting individual rights of members. Some changes will involve protection of funds belonging to the membership, either in union treasuries or in welfare and pension funds. Some will involve union administration and procedures, including such things as democratic and more frequent elections, terms of offices, and protection of individual members against abuse of power by union officials.

Changes involving union finances will likely be required by legislation. Others will more likely come voluntarily.

One voluntary change has already come about in the United Automobile Workers. This union has set up a seven-man Public Review Board for the announced purpose of making its procedures for trial of union members more democratic.

As in most union procedures, UAW members who were put on trial and disciplined for some union violation had the right of final appeal to the UAW convention. Conventions are held every two years. Under the new procedure the member may appeal either to the convention or to the Public Review Board. In either case, the decision will be final and binding.

The PRB members are clergymen, college professors and a Detroit judge.

END

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# HOW TO SIMPLIFY A PROBLEM

Tested method developed by psychologist shows how to achieve logical and open-minded thinking

A SIX-STEP FORMULA built by research and experience provides a logical and open-minded approach to problem-solving.

It does not guarantee finding the right solution every time. What it does do, its developers say, is to overcome the temptation to arrive at snap judgments on the basis of past experience or intuition—a temptation which, they say, grows stronger with every year in a management job.

Here's how one psychologist, Dr. T. F. Staton, sees the situation:

"The executive who tries to solve problems by depending on abstract reasoning, experience, general information, memory, or a superficial survey of the problem situation is headed for ultimate disaster.... If you're lucky you may reach some correct solutions in this manner. But in the long run you'll have a low batting average."

The approach, which has been developed by the U. S. Air Force, is being drilled into all students who



Cut problem to size

pass through the Air University at Maxwell Air Force Base, just outside Montgomery, Ala. The Air Force formula—as easily applicable to business as to military problems—involves these steps:

- ▶ Identify the problem
- ▶ Gather data
- ▶ List possible solutions
- ▶ Test possible solutions
- ▶ Select the best solution
- ▶ Put the solution into action

The six phases are listed here in the order that would normally be followed. It is important to bear in mind, however, that the sequence is not hard and fast. The phases usually overlap.

It is frequently necessary, for example, to get well into phase two before completing phase one.

Often it may be necessary to be working on several phases of this method at the same time.

## Identify the problem

The essential first step is to define as precisely as possible the problem to be solved. This may sound easy, but it often is the most difficult part of the process.

"You are half way to a solution," says Maj. Robert P. Crow, who teaches the problem-solving course at the Air University, "when you can write out a clear statement of the problem itself."

In a practical business situation, problems seldom come up in a clear-cut form. Usually, in a problem situation, the symptoms are more apparent than the disease. The job is to get below the surface manifestations of trouble and pinpoint a problem, or problems, which you may be able to do something about.

Usually you can cut a problem situation down to manageable size by a logical analysis, by going from the general to the particular, from the obvious effect to the not-so-obvious cause. Production is behind schedule. Why? Because absenteeism is high. Is high absenteeism the basic problem to be tackled? Or is it



Identify the problem



merely a symptom of low plant morale? In this fashion, you might decide that the real problem to be solved is not, "How can we speed up production?" but, "How can we raise employee morale?"

The dangers of rushing into a solution before the problem has been carefully analyzed are demonstrated in situations like this:

When the housing boom got under way at the end of World War II, a metal tubing plant was swamped with orders for a particular size of pipe widely used in residential construction. Even though facilities for producing this pipe were operated on a high-cost overtime basis, the plant fell far behind on deliveries and customers began to complain about delays.

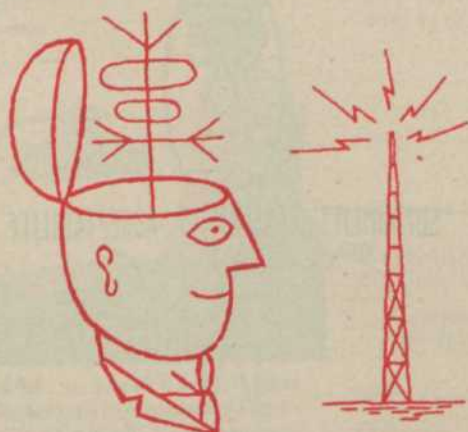
Meanwhile, sales of smaller tubing fell off and machinery for producing it stood idle most of the time. The managers of the plant thought the problem was obvious—how to increase output of the fast-selling pipe—and the solution was thought to be equally clear. They ordered an expensive retooling job in which the facilities for small tubing were scrapped and new machines for big pipe were installed.

When the conversion was too far along to be stopped, one young salesman began turning in fat orders for small tubing which quickly cleared out the warehouse inventory. Called into the front office, he explained that it was easy to find a market for small tubing: "I just called on a few air conditioning manufacturers instead of spending all my time at the building supply houses."

A belated investigation disclosed that other salesmen were still confining their efforts to taking easy orders from the building trade instead of making any real effort to sell small tubing.

If this company had paid more attention to defining its real problem—which was the idle productive capacity for small tubing—it might have investigated the possibility of stimulating sales before it plunged into a costly retooling operation. Instead, it wound up a captive passenger on the housing boom and missed out completely on the huge expansion of the air conditioning market.

In trying to define the problem, remember that there



Keep open mind



is seldom one simple reason why sales are off, or production is lagging, or profits are down. Analysis usually leads to the discovery that the apparent problem is really made up of several subproblems, which can be tackled separately. Try to isolate each component which is susceptible of being treated as a problem in its own right.

Another way to limit the problem, and thereby ease the task of finding a solution, is to concentrate on the elements which are within the scope of your control.

When you have gone as far as you can in this direction, write out a tentative statement of the problem to be solved. This will help to keep your mental processes on the track and will serve as a guide for any associates who may work with you on the solution. The more complex the problem, the greater the need to state it with simple clarity, so that everybody will be working toward the same goal. You may have to revise your tentative definition when you get further along in the problem-solving process. But you are now ready for the next step.

## Gather data

In the second phase of scientific problem-solving, you set out to collect all the information that might have a bearing on your problem. Don't settle for an assumption on any point where it is reasonably possible to obtain facts and figures.

Major Crow is invariably asked, at this point, "How much data should you gather?" His answer:

"It depends on the nature of the problem, and the amount of time you have. I've seen lots of occasions on which people came up with the wrong answer because they knew too little about the problem. You rarely see a man make a mistake because he knows too much.

"You will usually know when you have investigated a problem sufficiently, if you approach it with an open mind and an honest desire to find the best solution. If you are merely going through the motions of problem-solving, you'll probably short-cut the information-gathering phase.

"The most foolish thing you can do is to stack the



evidence, by confining your search to facts that tend to support your own preconceived ideas. When you do, you're not solving problems scientifically. You're just building camouflage to conceal the fact that you've already jumped to a conclusion."

As you collect facts, organize them in some form that helps you to make sense of them and to spot possible relationships between them. For example, plotting cost per unit figures on a graph can be more meaningful than a long column of numbers. One glance at a good sales map may convey more than an hour of reading reports.

Evaluate each item of information as you go along. Is the source absolutely reliable, probably reliable, or not to be trusted too far? Is this an established fact, an expert opinion, or just an opinion?

One warning given to Air Force officers—and which is just as appropriate for businessmen—is that an off-hand opinion is not infallible fact merely because it comes from your superior.

"If you are the one who is charged with solving a problem," says Dr. Staton, civilian psychologist who



wrote the original text for the Air University course, "you will be shirking your duty if you accept uncritically every idea on the subject that has been expressed by your superiors. You may have a lot of respect for the boss's wisdom and experience. But if he is counting on you to solve this problem, you owe it to him to subject his ideas to the same examination for validity that you apply to all the other data."

One of the best ways to gather reliable data is to get out of the office and go look for yourself. Ask the man who's running the machine, or the salesman making the rounds. The Air University uses an anecdote from the autobiography of the late Gen. George S. Patton to drive home the point that a primary source is always better than a secondary source of information.

When his U. S. Third Army was making its bold dash across France in World War II, General Patton once came upon an armored division which had halted at the bank of a river. He stormed into division head-

quarters to ask why the tanks had stopped. The commander explained that he and his staff were studying maps at that very moment to see if they could find a place where the river could be forded.

"I asked them why in hell they had not gone down to the river personally," Patton related. "I then told them that I had just waded across the river, that it was not more than two feet deep, and that the only defense I knew about was one machine gun which had fired at me very inaccurately."

## List possible solutions

This is the creative thinking phase of the problem-solving process. And it is a good place to bring into play whatever techniques of group dynamics a firm may have developed for joint attack on problems.

The important thing is to keep an open mind; let your imagination roam freely over the facts you have collected. Jot down every possible solution that occurs to you, or to anyone else who is working on the problem. Resist the temptation to evaluate various proposals as you go along. List the seemingly absurd ideas along with the more plausible ones.

"The more possibilities you list during this phase," says Dr. Staton, "the less risk you will run of settling for merely a workable, rather than the best, solution."

"You should keep on studying the data as long as there seems to be any chance of deriving additional ideas, solutions, explanations or patterns from it," Dr. Staton says. "Sometimes it's a good idea to work on the problem a while, and then stop to work on other things. Let the subject jell in your subconscious mind. Your thinking tends to get into a rut when you concentrate exclusively on the same problem for too long. Lay it down and return to it later when you may be receptive to a fresh insight."

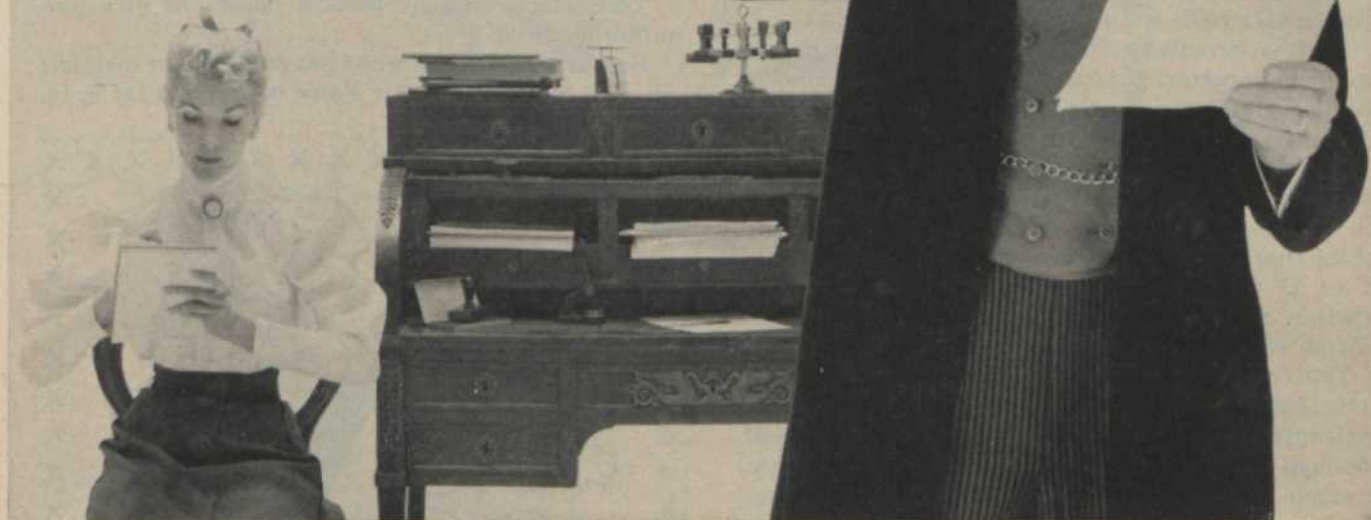
## Test possible solutions

Now you begin to evaluate the possible solutions you have listed. And right here it is necessary to take particular pains to be objective, or your scientific approach to the problem goes out the window. You have





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compelled yourself thus far to suspend judgment, but the temptation is strong now to pick out the solution you secretly favored all along and proclaim it obviously the best of the lot.

The secret of objectivity in this phase is to test the possible solutions separately, measuring each against a common yardstick. To make the yardstick, you enumerate as many specific criteria as you can think of. Criteria are best phrased as questions which you ask of each possible solution. They can be drawn from three general categories:

*Suitability.* Will this solution do the job? Will it remedy the problem situation completely, or partially? Is it a permanent or a stopgap solution?

*Feasibility.* Will this plan work in actual practice? Can we afford this approach? How much will it cost?

*Acceptability.* Will the company president (or the board, or the union, or the customers) go along with the changes required by this plan? Are we trying to drive a tack with a sledge hammer?

As you formulate criteria, rank them roughly in order of importance. Is this test one that a possible solution absolutely must pass? Or is it merely something that would be nice to accomplish?

A helpful device, used in Air University seminars on problem-solving, is to rate all of the possible solutions on the same chart. List the solutions down the left side of the chart, and the criteria across the top. The letters E or D in parentheses after the criteria indicate whether a good score on this particular test is considered essential or merely desirable.

You can get as tricky as you like in making the actual ratings. Some people use an elaborate scoring system, based on an A through F scale such as school teachers once used on report cards, or on a scale of zero through 100 percent. Generally, it is sufficient to indicate in each column whether the proposed solution is OK or NG (for no good) when measured against that criterion.

## Select the best solution

This is the area of executive decision.

Occasionally, one clearly superior solution will stand out at the conclusion of the testing process. But often it is not that simple. You may find that no one solution has come through all of the tests with flying colors. You may also find that a proposal, which flunked miserably on one of the essential tests, racked up a very high score on others.

The best solution frequently will turn out to be a combination of two or more of the possible solutions which you tested. Try to arrange a marriage that will bring together the strong points of one possible solution with the particular virtues of another. The more skill and imagination you apply to this, the greater is the likelihood that you will end up with a solution that is not merely adequate and workable, but is the best possible under the circumstances.

## Put the solution into action

As every manager knows, a plan which works perfectly on paper may develop all sorts of bugs when put into actual practice. So scientific problem-solving doesn't stop with selecting the solution which looks

best in theory. The next step is to put the chosen solution into action and watch the results. They may point toward modifications.

"If the problem disappears when you put your solution into effect," Major Crow tells his students, "you know you had the right solution."

If it doesn't disappear, even after you have adjusted your plan to cover unforeseen difficulties that turned up in practice, work your way back through the problem-solving process. Take another look at some of the other possible solutions. Would one of them have worked better? Did you apply all necessary criteria in testing solutions? Did you overlook some vital piece of data which would have given you a different slant on the whole situation?

If no light dawns after this much rechecking, it's a pretty good bet that you defined the problem incorrectly in the first place. You came up with the wrong solution because you tackled the wrong problem.

Thus phase six may become phase one of a new problem-solving cycle.

Seasoned executives who have read this far may feel like the high-ranking Air Force officer who sat in on



the problem-solving course at Maxwell. At the conclusion, he told the instructor:

"I've been using that system for years. I just didn't have the labels."

After a moment's reflection, he added:

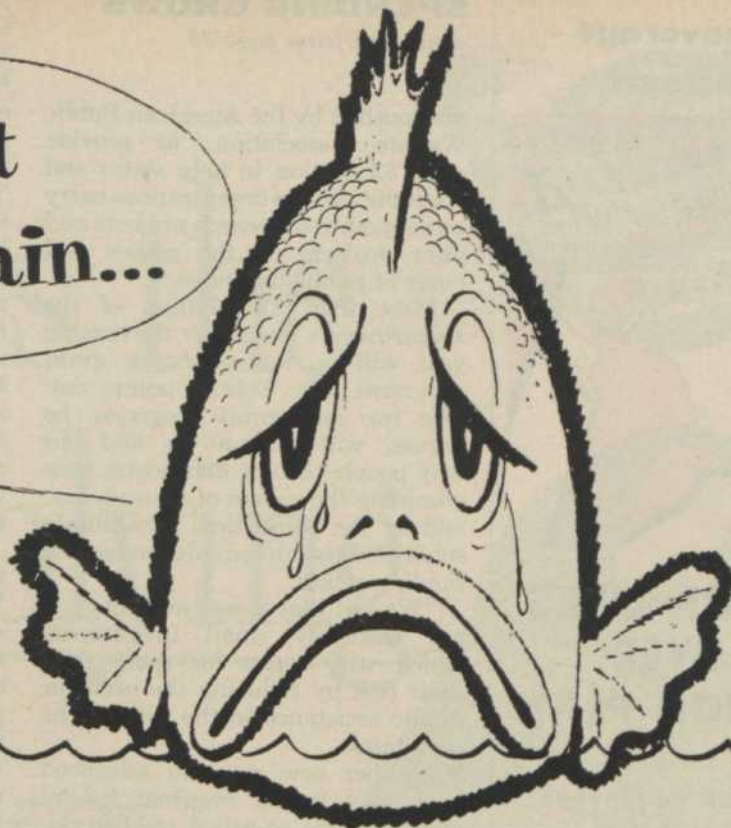
"But I'm glad that you taught me the labels. I can use them as a mental check list to make sure I'm not leaving out any of the steps."

A good mental check list is all the Air Force system really claims to be. It is, in the words of the Maxwell textbook, "not a substitute for clear thinking and good judgment," but simply a guide to "help you bring order to your mental processes" as you tackle a problem. *End*

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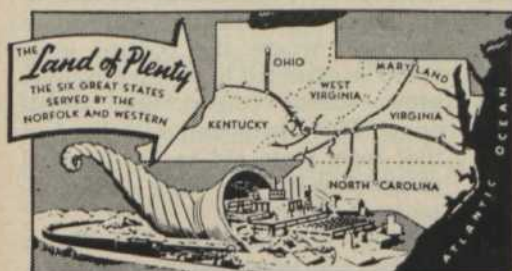
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## SPENDING GROWS

*continued from page 39*

also pushed by the American Public Welfare Association, to provide some \$2 million to help states and nonprofit private organizations carry on cooperative research projects and pilot projects on the causes and cures of public dependency.

More than \$1.5 billion of the Department's budget for the coming year will go for relief-type grant programs, Mr. Folsom points out. The two new grant programs, he argues, will attempt to find out why people become dependent, help eliminate the causes of dependency, and at the same time rehabilitate some of those already dependent on public support.

"We feel that these two proposals are relatively small investments which will return far more than their cost by reducing the need for public assistance in the future," he maintains.

▶ Another new proposal advanced as a way to cut eventual federal outlays is the so-called small reclamation projects program, for which the budget proposes an initial appropriation of \$5 million and initial spending of \$3.5 million.

The idea is for the federal government to make grants and interest-free loans to irrigation districts and other local groups proposing to build small reclamation and irrigation projects, costing up to \$10 million each. The backers argue that the local groups can do the job more cheaply than could the federal government, operating through the Bureau of Reclamation, which is geared to big multipurpose jobs.

The program was pushed into law by the National Reclamation Association. It drafted the bill, had it introduced in Congress, stage-managed the hearings, and lobbied Congress and the Administration for favorable action. The Association, which was backed in this venture by state reclamation associations and local water user groups, laid its sights on this program in 1946, and has been fighting to make it an actuality ever since.

Says William E. Welsh, Washington manager of the Association and the man most closely identified with the program: "This started at the grass roots. The Interior Department was building the huge projects like Shasta and Grand Coulee. Agriculture was taking care of the little on-the-farm stockpounds. In between was a no-man's land. The small water user groups didn't have the muscle to get Interior interested, and the projects were too big for

Agriculture. We carried the ball for a program that would meet the particular needs of these groups."

▶ Anyone who is investigating federal spending can't help but be impressed by the perseverance of the backers of new spending schemes. The battles are often long and hard-fought and in their course it gets harder and harder to tell how much of the pressure is local in origin, how much is congressional, how much is bureaucratic.

Take, for example, the highly controversial program of federal aid for school construction. The idea of federal help for education goes back many years. The government gave land to help many early colleges and universities.

The current school fight dates from the period immediately after World War II, when some concern developed over alleged neglect of education during the war years. A series of proposals for general federal aid to states for educational purposes—most for salaries and operating expenses, and only incidentally for construction—always bogged down in issues of church-state relations or fears of federal control of education. Despite pressure from much the same groups as now fighting for the school bill the proposals got nowhere.

As nearly as anyone can now tell, the present proposal can best be ascribed to a potent but little-known group, the Council of Chief State School Officers. This group, a branch of the National Education Association, represents the commissioners or superintendents of schools in all states and territories. As such, it has an obvious stake in federal aid. Its members are the men who get whatever pressure there may be from local school groups for more state aid, and who find their own state funds running out.

Apparently, instead of getting more dollars in the state fund, they chose to turn to Washington.

At some point, according to the best recollection of people long involved in the controversy, some of the officials of this group and some of the officials in the federal Office of Education decided that since federal control was the most explosive issue in the proposition, the federal aid proposal should be confined to the area where the control issue could be expected to be least troublesome—school construction assistance. This fits in well with the fact that most state aid to local school groups was for operating and maintenance expenses.

With the help of Dr. Edgar Fuller, the Washington representative of the Council of Chief State



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## SPENDING GROWS

*continued*

School Officers, a bill was drafted in 1950 for federal aid for school construction. It was introduced in Congress by Senator Neely (D., W. Va.). Dr. Fuller says the Council was "the earliest group to see aid for school construction as the best answer to the deadlock." He adds that the present series of bills hasn't really changed much since the Council's Neely bill in 1950.

The Korean crisis intervened, however, and the Neely proposal was changed from a general aid bill into one calling for aid to schools in areas where there were military bases or other large federal installations. As soon as the Korean fighting subsided and the pinch on steel, copper and aluminum lessened, state and local officials, PTA's, teachers and other groups took up the fight for a general school aid bill again.

In this Administration, Secretary Hobby of the Department of Health, Education and Welfare came up with one plan in 1954, and then, after the White House Conference on Education, the Administration's present plan of grants, loans and other federal help was put together. Meanwhile, the Democrats were fashioning a more expensive but basically similar plan of their own. The President's present plan calls for \$451 million of appropriations and \$185 million of actual spending in the coming year, with larger amounts later. It is being pushed again by the same school officials, state education department heads, teachers, parents, unions and other groups that were active before.

► Another fight that has been going on for a long while is the one for federal aid for medical schools. Proposals for this sort of help were current back in the Truman Administration, under Federal Security Administrator Oscar Ewing.

The struggle for this aid seems to have enlisted two main armies. It is being pushed first by the medical, dental, public health and other schools that would benefit directly. Led by the Association of American Medical Colleges, they argue that they don't get enough money from current income—tuition, gifts, endowments—to modernize and expand their plant, and that they need federal help for this.

"The medical schools are more closely identified with this legislation than anyone else," says an HEW official. "They want to be bailed out, and they have been howling for help for quite a while."

But backing up the front-line

troops has been an array of unions and other groups concerned not so much over the medical schools as such, but in making sure that there are enough doctors, dentists and other medical experts to take care of the ever expanding population.

Mr. Ewing, sympathetic to this group, had a series of sessions with medical educators in the late 1940's, and finally produced a bill for general aid to medical schools, with construction help subordinated. This bill passed the Senate in the 81st Congress and was approved by the House Commerce Committee, but failed of final enactment. More bills in the 82nd Congress produced fierce squabbles.

The Eisenhower Administration at first was cool to the entire idea, but when Mr. Folsom replaced Mrs. Hobby, it became converted to a program of grants to build medical teaching and research facilities.

"The present Administration," observes a veteran HEW employee, "is really not too happy with the program, but was picked up and carried along by the stream."

Only the program for aid for research facilities was approved by the last Congress, and now the Administration is back seeking approval of grants for teaching facilities, too. The new budget suggests appropriations of \$15.2 million and spending of \$2.7 million the first year. Many people, including some Administration experts, feel that the teaching facilities program is now more vital than ever, lest things get out of balance as the schools, influenced by the federal help, spend proportionately more on research facilities and less on teaching.

► Another program that's been seeking approval a long time is the one for federal aid to areas of heavy, chronic unemployment. For a quarter of a century, many of the coal mine towns, especially in anthracite areas, have been clamoring for federal help. By the late 1940's, many northern textile areas had joined the clamor, and by the end of that period, the Commerce Department had a section working on the problem. The issue went into the deep-freeze during World War II, but after the war, came to the fore again, with pottery, shipbuilding and other areas adding their voice. At the same time, some of the rural areas began arguing that they needed help to attract industry, and this argument was backed by a House-Senate economic subcommittee study of low-income families.

In short, over the years the idea of federal help for special areas has been pushed exclusively by the areas involved. From these areas, the



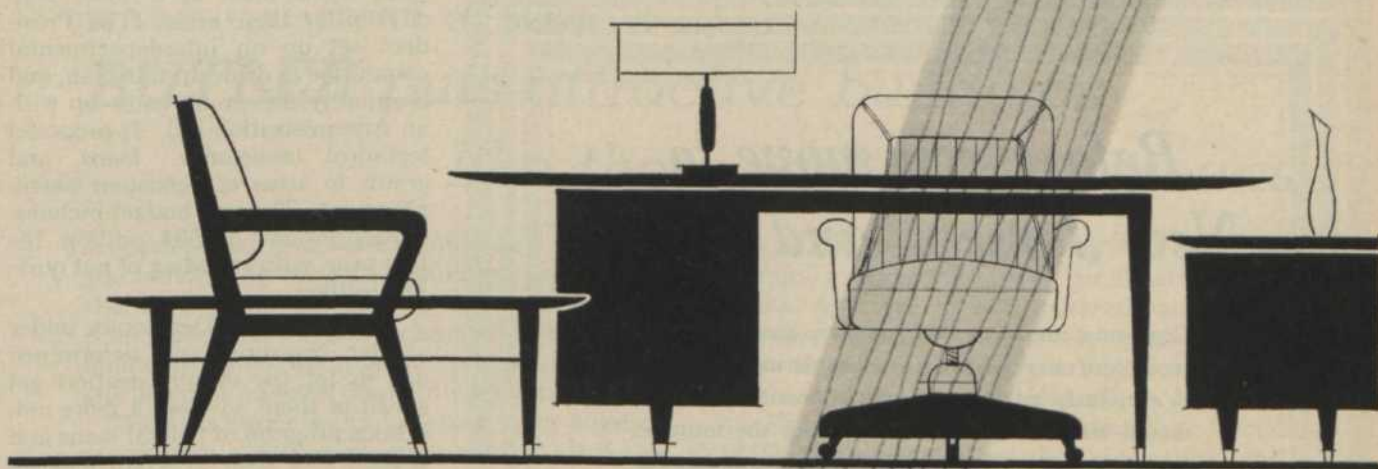
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## SPENDING GROWS

*continued*

demand for federal intervention has received persistent, bipartisan, across-the-board support—from Republicans and Democrats, union groups and local business groups, mayors and governors. (National business organizations, such as the U. S. Chamber, have opposed the idea, however.)

The present Administration's involvement, according to government officials, stems from the President himself. During his 1952 campaign swing, he visited several of these areas. At that time, he said he was aware of their problems, and that if elected, he would give them top-level attention.

After the election, several of the areas sent delegations to Washington to take the President up on his promise. He referred the problem to his economic advisers—presidential assistant Gabriel Hauge, and Dr. Arthur Burns, then chairman of the Council of Economic Advisers. By this time, Mr. Hauge and Dr. Burns, surveying the national economy on their own, were becoming concerned over "pockets of poverty" in certain industrial and rural areas. They suggested to the President that the federal government try to draw up a broad plan of help for these areas. The President set up an interdepartmental committee to draw up this plan, and eventually this group came up with an Administration bill. It proposed technical assistance, loans and grants to areas of persistent unemployment. The new budget includes appropriations of \$54 million the first year, with spending of not quite \$11 million.

Meanwhile, the Democrats, under similar pressures and determined not to let the Administration get ahead of them, evolved a more ambitious program of federal loans and grants. But their program took an interesting twist. At first, they proposed aid only for industrial areas. But last year, Senator Douglas (D., Ill.) and other Democratic sponsors saw they couldn't get their bill through without the aid of Southern Democrats. So they added a provision for aid to depressed rural areas—in effect, to help these rural areas get new industry.

► Not only do federal grant programs grow, but sometimes they breed other programs.

A good example is the \$2.5 million proposed in the budget to help states study the need for additional college and graduate school facilities





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## SPENDING GROWS

*continued*

and other facilities for study beyond the high school.

This was a by-product of the White House Conference on Education. College presidents, deans, registrars and other administrative officers were long worried about an impending tidal wave of college students, to quote one report. They had hoped at first that the White House Conference would look into this problem. But the White House Conference became limited pretty much to the problems of elementary and secondary schools.

Spokesmen for colleges and other groups felt left out. Led by the Association for Higher Education, the Land Grant College Association, the American Council on Education, and other groups directly concerned, they persuaded the Administration to set up the President's Committee for Education Beyond the High School.

But the interested groups and the Administration quickly decided that a purely federal study wasn't enough. Something more was needed, they agreed, and to persuade the states to study the problem, federal money was felt to be the answer. So a new grant program was born. Most people expect that the results of this new study will be recommendations for new federal aid for construction of beyond-the-high-school facilities.

► There were two main sources for the new program of federal aid to states to spur studies of juvenile delinquency problems. In 1953 and 1954, a Senate Judiciary subcommittee held hearings all over the country on juvenile delinquency, and many of the witnesses—parents, state officials, police officers, juvenile court judges, and others—said federal help was needed to strengthen and improve existing programs, to train personnel, carry on research. At the same time, private foundations had financed a special study project working with the Children's Bureau, and this study culminated in June 1954 in a National Conference on Juvenile Delinquency. This conference, attended by much the same groups as had been testifying before the Judiciary subcommittee, also recommended grants-in-aid.

The result was an Administration bill in the last Congress for federal grants. It barely passed the Senate in the closing hours of the last session. It is now being pushed anew by the Administration and by the same groups active in the two earlier developments.

END



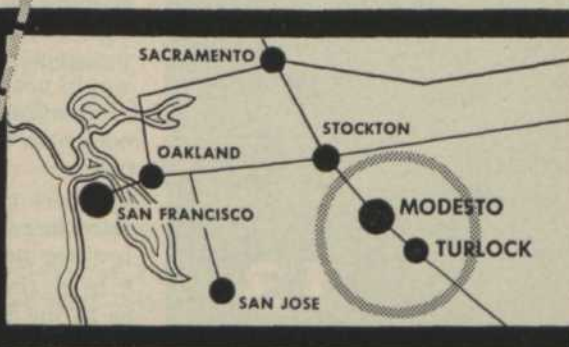
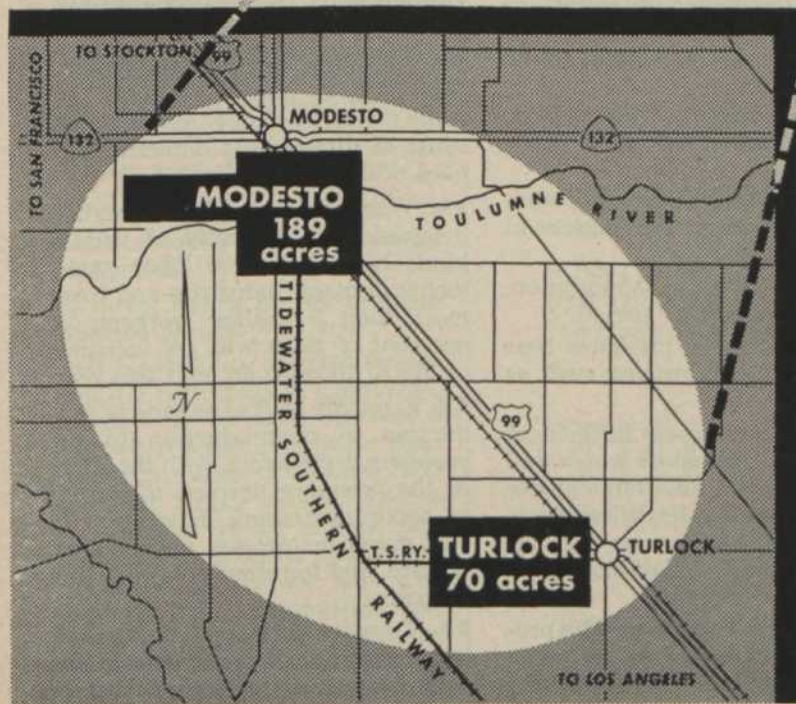
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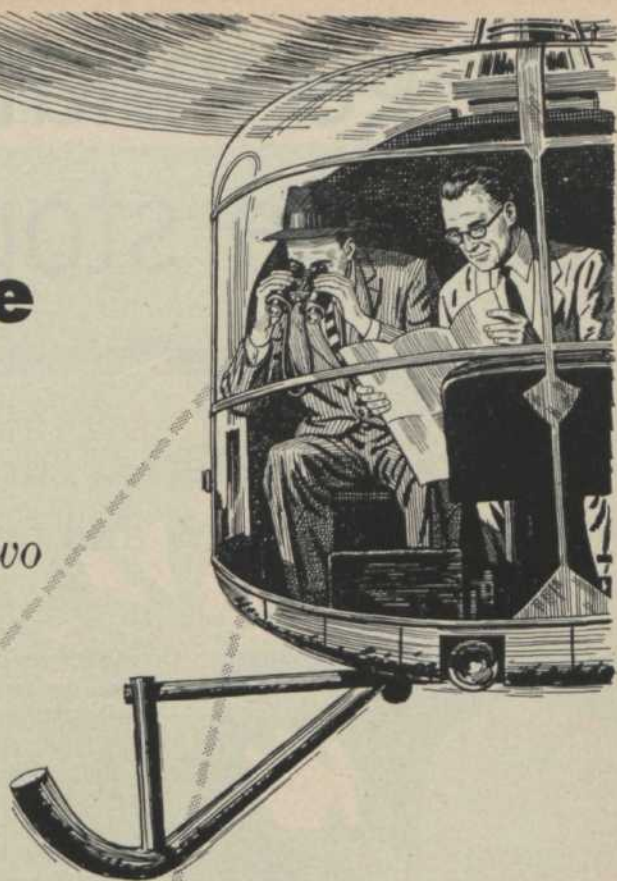
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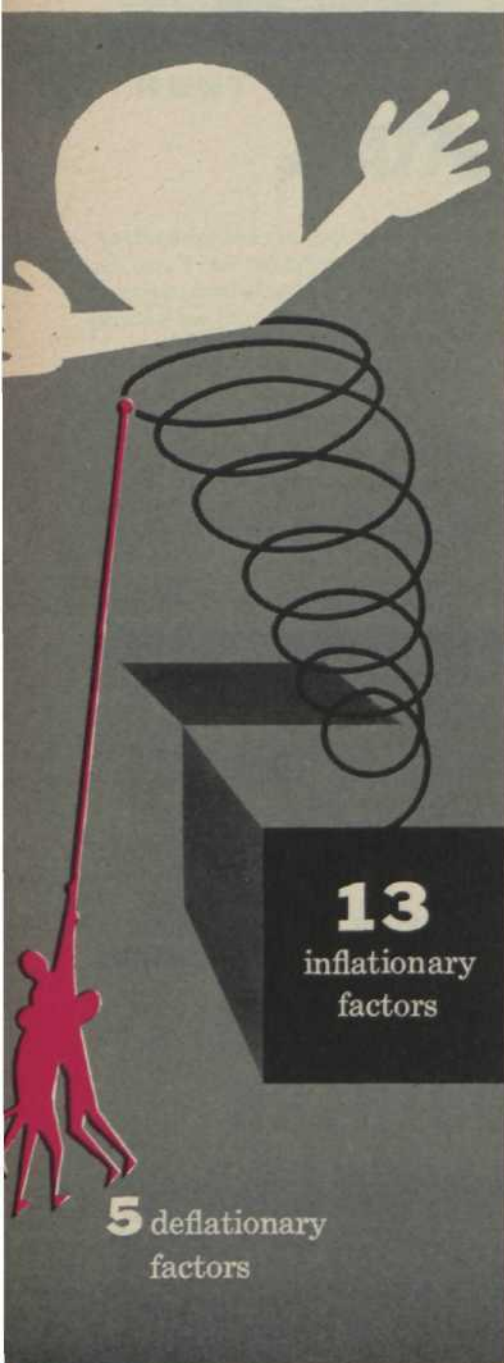
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# Wage inflation can be stopped

Experts offer different cures for rising trend of pay and prices



INFLATION need not be a danger in this country in spite of rising prices and wages.

This is the consensus of businessmen and economists whom the National Industrial Conference Board assembled to consider how present pressures might affect our economy.

The conferees agreed that present trends could be stopped—although they did not agree precisely on how this should be done.

Among the views expressed in their conference and in conversations afterwards with NATION's BUSINESS were these:

JOHN T. DUNLOP, professor of economics at Harvard University and a former member of the National Wage Stabilization Board, feels that prices will rise at least 25 per cent—perhaps as much as 50 per cent—in 15 years. He does not view this prospect with alarm, although he would not advocate it.

Inflation, Professor Dunlop says, occurs in certain types of environment.

► When consumers have accumulated large amounts of savings, as in postwar periods.

► In a time of heavy speculation, as in the Korean War period.

► When inflationary pressures bear on certain basic industries, such as steel.

Professor Dunlop sees in the next 10 years some 13 factors which will make for long-run inflation and five which would tend to be deflationary. The inflationary factors, he believes, will outweigh the deflationary.

They are:

**1.** Over-all labor shortage. The proportion of population in the main working age groups will drop in the next 10 years because of the low birth rate in the depression '30's. The

25-44-year age group will actually decline 600,000 between 1955 and 1965. Added factors: drop in immigration; diminishing supply of factory workers from shrinking agricultural pool.

**2.** Skilled labor shortage. Improved and expanding technology is increasing the demand for skilled labor. The shortage tends to push up wages of all workers.

**3.** Full employment. The government is committed to a policy of full employment, we have had full employment, and both business and consumers have come to expect it to continue. As a result, businessmen plan and expand with confidence and the workers commit themselves more liberally in credit spending.

**4.** Wage leadership. It is taken by strong unions in industries which they believe can better afford larger wage increases.

**5.** Consumer credit. It is not only increasing, but is being extended into new areas, such as paying for travel, vacations, dining.

**6.** Labor peace. Management rates labor peace highly in today's market conditions and is less willing to fight a high wage demand and take a strike.

**7.** International situation. International strains and crises and the high demand for American goods and technology add to the pressure under prices.

**8.** Strong unions. They have proven their ability to win high wage demands despite employer reluctance.

**9.** Continued farm price supports. The government is committed to keeping prices of certain farm products from falling too far.

**10.** Shrinking raw material supply. The need to import oil, iron ore, other metals and other materials because of diminishing domestic supplies adds to costs and prices.

**11.** Wage escalators. Escalators and deferred wage increases of various kinds have spread to labor agreements in many industries and cover more than 5 million workers; 90 per cent of them will get increases of five to 10 cents an hour this year.

**12.** Economy shift. The ratio of production to nonproduction in the economy is changing, with the share of the economy devoted to output of goods decreasing in relation to that going for service, government, finance, and for other nonproducing activities.

**13.** Growing suburbs. The increasing movement of consumers to the suburbs requires increasing business expenditures and government spending for roads, schools, other commu-



nity needs. These add upward pressure to prices.

Professor Dunlop says that among the factors which put a drag on, or may even counteract, the inflationary trend, are these:

1. Competition. Interproduct competition tends to hold prices down. For example, prestressed concrete and wood laminated beams competing with steel in heavy construction.
2. Large market. A large market for goods, such as we have, makes for more competition and restraint on prices because the rewards of building a better product or producing at lower cost are very great.
3. Anti-inflation know-how. We are becoming more skilled in the management of credit and developing new tools for fighting inflation.
4. Cost savings. We are improving research and productivity in cutting costs—automation, for instance. Workers produce better and more.
5. Institutional savings. New forms of institutional savings by consumers comprise a counteraction to inflation. They include pensions, life insurance, stock purchase plans, and supplemental unemployment benefit plans.

Whether we can halt the inflationary trend depends on whether we are willing to pay the price to keep wages down, Professor Dunlop says. He doesn't think we are. The price, he believes, would include tolerating heavier unemployment, a more mobile and more flexible economy, heavy federal budget cuts in such items as farm price supports and veterans' costs, strikes and a change in the form and nature of our political system.

Professor Dunlop suggests these four approaches would contribute to a long-run solution of our long-run inflation problem:

1. A more competitive economy.
2. More research in productivity.
3. More mobility and alternatives in production.
4. A direct attack on the problem by affected groups.

JOSEPH GARBARINO, research economist at the University of California, says that wage inflation becomes a danger when wages rise faster than productivity. Wage costs since 1953—including fringe benefit costs—have increased at an annual rate one fourth to one third faster than productivity, he points out. The wage-productivity relationship has important consequences for price behavior and income distribution, he says. Since 1953, the economy has apparently adjusted to the wage pressures by a combination of mod-

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## WAGE INFLATION

*continued*

erate price increases and shifts in the share of national income in favor of wage and salary earners.

The industrial component of the wholesale price index shows that producers' prices rose about seven per cent, according to Professor Garbarino. Employees' share of national income, which averaged 65 per cent from 1946 to 1952, has risen to an average of 69.3 per cent over the last four years.

JOHN POST, manager of industrial relations for Continental Oil Company, feels that management must bear the major burden of slowing down the inflationary trend because government intervention would create more problems than it would solve and labor leaders are committed to a philosophy of demanding more. Mr. Post attributes the sharp price rise of the past year to both increased unit labor costs and increased demands for producers' goods and for services.

"There is no basis," he says, "for the charge that profits contributed to the inflation. Profits have not kept pace with the growth of the economy, and retained earnings in 1955 were not sufficient to finance the tremendous business expansion."

Real problems, Mr. Post predicts, will come next year when major wage negotiations may start another twist in the upward spiral and the gradual balancing of supply will make it more difficult to pass along in price increases the rising costs of material and labor. Over the long pull, he feels, only understanding by the employees of the impact of excessive wage increases on the economy will develop any restraint.

DEAN NEIL H. JACOBY of the University of California's School of Business Administration, a member of President Eisenhower's Council of Economic Advisers from 1953 to 1955, is of the opinion that creeping inflation is neither inevitable nor desirable, and that we can have prosperity without inflation.

Highly flexible monetary and expenditure policies of the federal government, he believes, combined with revisions in antitrust, agricultural, and other laws that would make the American price system more flexible, can prevent a wage-price spiral from getting under way.

Dean Jacoby offers this six-point anti-inflation program:

1. A declaration by President Eisenhower that a stable consumer price index will be the primary guide to federal policy, and that



anti-inflationary action will be taken promptly when the need arises.

2. Adoption of a dynamic concept of full employment, with only four per cent of the work force unemployed on an annual average.

3. Highly flexible monetary policies on the part of the Federal Reserve.

4. Highly flexible tax and spending policies by the federal government.

5. Appointment of a national monetary and credit commission to recommend changes in our financial system to make all parts of it respond rapidly to monetary policies.

6. Extension of antitrust laws to all economic activities, including labor unions and cooperatives, so that vigorous enforcement of competition will make the whole price system more flexible.

DR. GEORGE W. TAYLOR, wage expert and professor at the University of Pennsylvania's Wharton School of Finance & Commerce, calls the productivity factor in wage determination "an elusive one and a critical one when wages increase faster than the cost of living."

"Satisfactory definitions and adequate measures of productivity have yet to be devised," he says. "Yet, in the plant, the productivity factor appears as a clear-cut and understandable issue."

Changes in technology and improved methods are an essential support for a high wage policy, he points out, but they also entail decreases in jobs and in employment opportunities.

"The dilemma," he continues, "is how to achieve 'high wages and lower labor costs' at a time when the public tolerance of unemployment is so low and the employee desire for job security is so high."

"Some observers believe it takes a steadily expanding economy to overcome these divergent pressures while others abhor the implicit inflationary risks along this road."

"In my experience, the problem has to be dealt with in its elements—in terms of the situation in each plant and not by over-all generalizations."

Dr. Taylor says that wages can no longer be viewed exclusively as a variable cost going up and down with production schedules. Having in mind wage guarantees of various sorts and continuing fringe costs, he adds:

"Since wages may have to be paid even though production is not obtained, they take on some of the characteristics of a fixed cost. This presently is the case to but a limited extent, but the issue looms large at the bargaining table." **END**



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## TEEN-AGE WAVE

*continued from page 40*

Dr. Davis, who has had four children. "But the teen-ager has to stock up on a wide variety of school clothes and party clothes. He demands smarter and more varied costumes. Two pairs of shoes—one for everyday and one for dressing up—are no longer adequate. And the clothing purchases of a teen-ager are not the long-term investments of the adult. What is bought this year will be outgrown, or out of style, by next year."

The steeply ascending curve of teen-age population will have its greatest impact, however, on the markets for goods which a young child doesn't need at all, but which a teen-ager avidly desires.

Automobiles are an example.

"A generation ago it was comparatively rare for a youngster to have a car of his own," says Dr. Davis. "But times have changed. Teen-agers are now among the best customers of the used car industry. Many buy new cars with money earned from part-time jobs."

Viewed in this light, it is clearly a matter of major significance to the automobile industry—and all of its suppliers of steel, rubber, glass, textiles, and parts—that the total teen-age population will grow at a rate of more than a million a year in the early 1960's.

Of comparable importance to the national economy, says Dr. Davis, is the clearly foreseeable growth in demand for toilet articles and cosmetics of all kinds; for radios, phonographs and records; for luggage, for watches and jewelry; for golf clubs, tennis rackets, fishing rods and sports equipment of every type.

Two other ways in which teen-agers affect demand are less obvious, but just as important.

"When a child gets into his teens, he usually wants a room of his own," says Dr. Davis. "In many families, this will mean pressure for a new or at least a bigger house. My guess would be that we will see a good deal of remodeling of homes. There could be an upswing in sales for tools and building materials."

Teen-agers, especially girls, also become fussy about the appearance of their homes. When friends come in for dates or parties, they want the place to look nice.

"This," says Dr. Davis with the resigned air of a man who knows, "creates considerable demand for new furniture, lamps, rugs and that sort of thing."

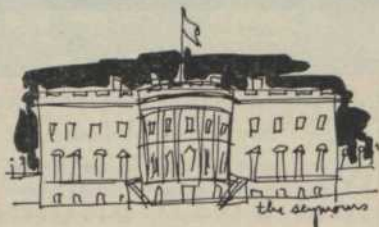
In this connection, Dr. Davis notes that "children's wants and

needs usually have a high priority" in shaping the actual expenditure programs of American families. Where parents are unable or unwilling to translate these teen-age wants into market demand, the boys and girls themselves often can fill the gap with their own earnings.

"The opportunities for teen-agers to earn money at part-time and summer jobs during the coming decade of comparative labor shortage will be excellent," he says. "I have no doubt that the purchasing power to convert these teen-age wants into effective demand will be forthcoming."

All of these considerations add up, in Dr. Davis' opinion, to a radical change in market conditions in the near future.

"To appreciate the full significance of the period we are about to enter," he says, "you must remember that the age distribution of the population at any given time may



have a more profound influence on the economy than gross changes in total numbers.

"We have been for several years in a stage of population growth where changes in age distribution have made for over-all reductions in average per capita demand. A dominant characteristic of our population dynamics from the end of the war until now was the market rise in the proportions of people less than 13 and more than 65. In these age groups, the needs of each individual tend to be well below their life-cycle peaks."

Now the United States is about to enter a period in which the high consumption teen-age group will grow much more rapidly than the general population. Census Bureau projections indicate that the total number of teen-agers will approximately double in the 15-year period 1955-1970, while the total U. S. population is growing about 23 per cent. Although the less-than-13 and more-than-65 age groups also will grow substantially in absolute numbers by 1970, their relative weight in the economy will decline. The net result should be a marked, continuing rise in average per capita demand.

By the late 1960's, when the population wave created by the postwar upsurge in birth rates produces a

marked rise in the number of 18-year-olds, the U. S. economy will begin to encounter a new set of problems, Dr. Davis believes.

Even if a third to a half of the 18-year-olds go on to college as expected (and create an incredible expansion problem for higher education), there will still be a substantial increase in the number of youths looking for jobs in the late sixties. Absorbing these young workers into the labor force will require skillful advance planning and a huge increase in capital investments to create new jobs.

By 1970, large numbers of post-war children will be old enough to have families of their own. (The median age for marriage is now about 20 years.) The resulting climb in the annual rate of household formations may usher in the next great home-building boom. Even if most of the new couples start out in apartments, as usual, they will be in the market for furniture and appliances. And they will have babies.

Dr. Davis, like all conservative economists, is unwilling to guess at future birth rates. The experts have been fooled too many times in the past. Virtually all authorities assumed that the postwar rise in the U. S. birth rate would be a temporary phenomenon. The Census Bureau, as late as 1946, was forecasting that the U. S. population would rise slowly to a peak of 164.5 million about 1990. Instead the number of live births has risen each year, from 2,858,000 in 1945 to 4,220,000 in 1956. The total population shot past the 164.5 million mark in 1955, ahead of schedule by 35 years. It is now estimated at 171 million, and is growing at a rate of 1.7 per cent a year—more than double the rate of increase in the 1930's. At this rate the U. S. economy will have more than 228 million persons to feed, clothe, employ, educate, transport and house by 1975.

Some economists, among them Prof. Joseph J. Spengler of Duke University, take a gloomy view of this rapid population growth. They foresee ever mounting pressure on natural resources, increasing use of marginal supplies, higher costs of production, and slowly declining living standards.

At the other extreme are optimists who think that population growth will be a panacea for all business problems, providing a constant expansion of markets and serving as a sure bulwark against recession.

Dr. Davis occupies middle ground. He agrees that there will be heavy pressure on natural resources, particularly in areas where supplies already are tight. But he points out



that "the economic problems of enlarging our material resources to meet strong demands are the sort that Americans delight to solve." He is confident that scientific and technological progress will continue to open up new sources of power and raw materials as in the past.

He sees no sound basis for pessimism about a gradual decline in living standards.

"Over the long term, our annual increase in output has averaged perhaps 2.5 per cent or more. In recent years it has been averaging about 3.5 per cent, or twice the annual rate of population increase. There is no sign of an early reversal of this trend. Indeed, there are many reasons—atomic power, for example—to hope that productivity may increase at an even higher rate in the future.

"On the whole, it seems likely that substantial population increase in the next 30 to 50 years will be accompanied by over-all gains in living levels."

Dr. Davis explained that he uses the term "living levels" to include increased leisure from a shorter work week, improved working conditions, and the satisfaction of having families, which will be an important part of the over-all gains he anticipates.

Over the long run, Dr. Davis says, sustained population growth will contribute "elements of strength to our defense against depression."

For example, continuing growth of markets will tend to bail out firms which overexpand through miscalculation. But he thinks it is easy to overstate the value of population growth as an antidote to economic fluctuations.

"Even with a strongly growing population, there can be painful adjustments in the economy"—as, for example, if there should be a period of considerable unemployment when the labor force expands sharply in the late 1960's.

"In short," says Dr. Davis, "I foresee neither disaster nor Utopia ahead, but a continuing challenge on all fronts. The economic problems we face will be those of a highly dynamic, expanding economy, in which substantial population growth at varying rates will be a powerful force, and in which changes in age distribution will be no less important than changes in total numbers."

—LOUIS CASSELS

**REPRINTS** of "Get Ready for 1960 Teen-age Wave" may be obtained for 15 cents a copy or \$11.25 per 100 postpaid, from NATION'S BUSINESS, 1615 H Street N.W., Washington 6, D.C. Please enclose remittance.

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## CHANGING CHANNELS OF DISTRIBUTION

continued from page 35

Among the many complex factors to be considered in packaging, five are especially important:

1. Displayability
2. Size and convenience
  - a. To consumer
  - b. To retailer
3. Preservation qualities
4. Merchandising features
5. Costs

Importance of the displayability is emphasized by the fact that the housewife is exposed to about 6,000 items on her trip through the store. The package's attractiveness or displayability is a matter of design, in terms of the color, label and message that create a buying impulse on the part of the buyer or tie in with advertising that does. The manufacturer wants a package that literally says "take me."

Larger packages are usually more convenient and economical to the consumer, especially since she shops less often. Importance of package convenience to the retailer is emphasized by the fact that 58 per cent of the grocery manufacturers have recently made changes to simplify store stocking operations. After some hesitation, one manufacturer recently started packaging his units 24 to the case instead of 12. A year's test in one sales area showed that dealer inventories increased 56 per cent, distribution remained practically constant at 91 per cent and out-of-stock was materially reduced from eight to three per cent.

One firm successfully fought a downward sales trend by a packaging change which preserved the freshness of the product—first such change in the field. Sales picked up and the downward trend was reversed.

Sometimes the merchandising feature of a product can be a package convenient for use. Products with major built-in convenience increased sales by 124 per cent between 1952 and 1956, according to a survey by A. C. Nielsen Company, whereas items offering little convenience in use were able to grow only 10 per cent. The housewife will buy for convenience whenever a product relieves her of a bothersome task.

In any package, the designer must never forget that price is the most important single factor in most sales. Since packaging represents a substantial part of the cost, he must balance it against what he wants to get in sales appeal and protection of the contents. If too much is spent on the package, or added weight increases transportation charges, the higher cost and selling price may prove a real drag.

## New patterns in selling

The new pattern of distribution has brought with it many basic changes in the structure of merchandising itself.

The trend toward diversified stores means that many companies are handling merchandise which is comparatively new to them.

"One obvious conclusion is that we probably need ever better trained and more skillful salesmen if we are to interest the store managers and proprietors who are going to control a substantial amount of business," says J. O. Peckham, vice president of A. C. Nielsen Company.

As an example of the changing pattern of sales in today's market, the destinies of products and promotions in the food supermarket field are coming to hinge largely on the buying committee. This committee may include the merchandise manager, the buyers and the sales manager; its composition depends on the structure of the company. No representative of the manufacturer appears to plead his product before



this committee. The buyer or merchandiser himself must be briefed by the salesman of the product or promotion under scrutiny.

"Manufacturers have been wasting millions of dollars on salesmen who are not skilled in presentations to buyers," says Sidney Schwartz, editor of *Supermarket Merchandising*. "These buyers have to go before the committee loaded with data. It's up to the salesmen to provide it. And in a high percentage of the cases, the salesmen haven't been doing it."

The salesman must not only give the buyer full information on the product itself but must also provide complete figures on consumer response and shelf movement under previous selling situations. He must cite chapter and verse on previous market tests. He must provide convincing evidence that sure-fire promotions are on the way and that the product is going to be backed by advertising that really sells.

Another factor to be considered in today's distribution pattern is the rack jobber. He is becoming more and more prominent in today's merchandising picture. It is a common practice for him to service the non-food departments of the supermarkets.

The store allots the rack jobber a certain amount of space and pays him a certain percentage of the sales he makes in this space.

The rack jobber usually started in drug sundries; now he's in housewares, home furnishings—everything. Ordinarily, he won't take on an item until it's known to the consumer. If it's going to be backed by big advertising and promotion programs, that's a different matter. Unless

## TWO STEPS TO BETTER SELLING

SALESMEN CAN increase their output by at least 10 per cent by two simple steps, says Dr. Joseph Thompson, marketing and sales professor at Michigan State University, a veteran salesman and sales consultant for several national concerns.

The steps are:

- ▶Read and re-read a good text-book on selling.
- ▶Write down in complete dialog form—just like a radio script—techniques or problems that might be encountered in selling.

This method, Dr. Thompson asserts, is adaptable to any product, tangible or intangible, and will help even the salesman with 25 years' experience. Also, he maintains, there are no different kinds of selling, such as low-pressure or high-pressure. It is all a matter of employing techniques that fit the particular personality or situation.

In text-book reading, says Dr. Thompson, the salesman should "pick out every idea, principle, technique or tip given on how to sell, regardless of how insignificant or what you feel you already know about it. Learn them backward and forward. Know them so well that when you hear a commercial on radio you will know immediately what tech-

niques are being used or misused. Know what motives are being appealed to—prestige, fear, pleasure, comfort and so on."

When this groundwork to selling is mastered completely—and few salesmen, even the successful ones, have mastered it to the point of knowing exactly what and why they are doing or saying certain things—the salesman can use the techniques any way he likes, and always to his advantage, Dr. Thompson maintains.

Once the salesman has this thorough grounding, he should study the different situations in detail by writing out a dialog of what he thinks he might encounter. The very act of thinking of the problems he might meet is beneficial, Dr. Thompson says. Putting it down on paper forces the salesman to decide exactly how he would handle a given situation.

It is also helpful to record as nearly as possible the actual conversation that took place between salesman and customer in the course of a presentation. By looking back over this script, the salesman trained in basic selling techniques can pick out what was good and what was bad. Next time he can expand his good points and delete the bad ones.



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## CHANGING CHANNELS OF DISTRIBUTION

*continued*

the manufacturer can prove high sales and good advertising backing, it's tough to get a new line into any of the big stores today. However, this doesn't apply to new products if they're marketed in the right way.

"More and more cases are being reported where a manufacturer, envisioning his entry into mass retail distribution outlets, has conducted national or regional market evaluations of his product demand, competitive position and growth potential as a means of putting before the buying committee or rack jobber the facts about the market for his product that will be conducive to acceptance and support of these outlets," Mr. Allen points out. "Invariably, this whets the interest of the outlets because it fits into their way of thinking."

At the store level, the big emphasis for the manufacturer is not making the sale but in keeping merchandise properly displayed. After a sale, the selling emphasis changes. For the territory salesman, this emphasis shifts from pure selling to service selling. Object: maintaining high visibility of product at point of sale.

According to Mr. Head, it takes this rule of three to produce sales:

1. Accessibility
2. Acceptability
3. Activation

*Accessibility* means having good distribution in retail outlets, having the product readily accessible for consumer purchase. It must be in the right retail outlets. This involves good sales organization or system throughout the marketing area to see that the product is made and kept accessible to consumers.

*Acceptability* comes about through good and proper pre-selling through advertising. This requires good advertising specialists, selecting the proper media to get to the proper people with the proper message at the most reasonable cost.

*Activation* simply means something going on in the retail outlets to call consumer attention to the fact that the product is both accessible and acceptable. Activation can be special product display, special display material, wider shelf frontage, preferred shelf position, or any one of the many things that call attention to a product.

## New pattern

What about the distributor in today's marketing picture?

In former days, the manufacturer sold the wholesaler or the jobber. The wholesaler or jobber in turn sold the retailer, who sold the consumer. But when the chain stores entered the picture, the pattern began to change.

"For years, everybody has been reading the wholesaler out of the picture," says Charles Smith, of McKinsey and Company, management consultants. "But you just can't read out the good ones."

"The wholesaler who is going places today uses fork lift trucks and new materials-handling equipment, data processing to control inventories and route deliveries, conveyers and automation. The new guy plans his product lines, works on a turnover basis, watches the return on his investment, cuts down his costs of distribution."

What is most important, if the wholesaler takes an interest in helping his accounts benefit from modern merchandising methods, he can strengthen his position and increase the profits and longevity of the smaller independent retail operator.

There are enough successful examples where this has been done to demonstrate that the independent retailer can usually maintain a profitable position in the new distribution picture. And where the small retailer does this, he will usually become a larger independent retailer,



taking advantage of the new concentration of shopping traffic, capitalizing on efficiency, lowering the cost of volume sales—and otherwise following the new pattern of distribution.

The independent retailer who faces competition from mass markets must go along with the new mass marketing technique, not entirely because of the competition but because he needs to lower his cost of sales.

The new approach for the wholesaler, retailer and manufacturer is to move with the tide in the changing pattern of distribution. It is increasingly evident that the success of any product will depend on the extent to which this product has effective retail distribution.

What is effective distribution?

"It is having the product exposed in the retail outlets doing the major part of the business—the outlets that are responsible for the big end of consumer buying," says Mr. Allen. "The manufacturer who succeeds today is simply the one who is smart enough to get his product effectively exposed to the maximum number of people who can buy it."

END

REPRINTS of "Changing Channels of Distribution" may be obtained for 17 cents a copy or \$12.75 per 100 postpaid from NATION'S BUSINESS, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.

## WHAT MAKES BEST SALESMAN

THE QUALITIES that make a top salesman have been uncovered by a new study carried out by the General Motors Institute, for the Buick Motor Division.

An outgrowth of the study is a questionnaire, answers to which reveal applicants with high potential for success at selling cars—a potential which would have equal application to most kinds of salesmanship.

The questionnaire involves 40 questions.

"We don't say it is infallible," Buick says. "It is possible for a man to score high and still not be a top salesman, and vice versa."

But a sampling of some 2,000 salesmen showed that more than three quarters of the men who scored 81 or more averaged 1½ sales per month above the average. Those scoring 78 to 80 averaged one extra sale a month. Those with scores less than 70 sold one car per month below average. The questions cover:

Motivation: Does the applicant want to earn a lot of money? (Being "hungry" is deemed desirable.) How much security does he want? (The more he wants, the less aggressive he is likely to be.) Does he want this particular job? (If he wants it, fine; if he merely seeks to escape from one less desirable, not so good.)

Maturity: Is having fun important? (A minus if it is.) What were the wisest and most foolish purchases of recent months?

(The less practical the buying, the less desirable the applicant.)

Getting along with others: What does he think of his last boss? (Ability to accept authority or work comfortably with bosses is a telltale.) Does he feel the need of telling off a fellow employee occasionally? (Better employees get along with others.)

Experience and training: If successful, experience is an asset; so is training if soundly based and related directly to the job.

Health, physical characteristics, mannerisms. Keep a watch for bad grammar, bad teeth, unkempt clothes.

A rating form is advisable if you are interviewing a number of applicants.

The study also showed that the superior consumer goods salesman is likely to be one who:

—has had to get out and earn a living relatively early in his life,

—is relatively young, so that faulty prior training or bad sales habits are minimized,

—has had some demonstration sales experience,

—is a friendly type,

—is ambitious, wanting to make money and not afraid to work to get it,

—is persistent.

The study showed that the second interview is usually the best time for closing a deal. The man who is rebuffed by only mild interest at a first meeting is losing sight of much of his potential.

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# Executive Trends

## Coming: Clearer concept of research

America's amazing research industry, transformed from a \$350 million weakling in 1930 to a strapping \$6 billion giant today, is spawning some new and formidable problems for management. For the most part they are unique problems, without precedent. They loom large because many companies are heavily involved in research, have big investments in it, are looking to it for new products, new processes, future growth.

►Point is too many managers still have fuzzy notion of industrial research workers and their function. There's more to it than giving your research people lab space and spending money—and then sitting back and waiting for them to produce the miracles that will pull you out of a bind.

## New survey reveals extent of problem

Reasons why research is now and will continue to be a management problem are revealed in new survey by management consulting firm. The firm, Booz, Allen & Hamilton, probed attitudes of 3,500 research workers in research and development departments of 23 big corporations. Seventy questions asked each worker reveal: Many research people don't know what's expected of them, don't think top management knows either. Results also disclose high number of complaints about communication, research organization effectiveness.

►One of the key questions in the survey was: "Are the aims, goals and purposes of research clearly established in your company?" More than a third of the respondents answered "No" or said they were doubtful. Fifty-nine per cent answered "No" or "doubtful" to question, "Is your research department effectively organized for communication?"

## Fresh thinking on research will be needed

That's clear from the Booz, Allen & Hamilton survey and from other recent reports on R & D. Fact is research is growing so fast as company function that guidelines, experience for judgment are lacking. Successful elements of management have not yet been established for research in many firms. Studies show research people are crying out for firm hand, more direction of their efforts. This means institution of job descriptions, clear lines of accountability.

►It means other things, too. For one, promotion paths and compensation standards for researchers are not well enough defined at present. Indications are also that communication is poor from top management to research department, and vice versa.

## Interest in researchers as individuals will quicken

This will come as companies wrestle with peculiar characteristics of research personnel as people on the corporate team. They're a differ-



ent breed. The new survey points this up. It shows researchers are generally younger, more highly educated than other workers; shows also that they generally have had shorter working experience, are strongly oriented to research as a profession, regardless of their company affiliation, and that most research personnel are hungry for continued training, more education.

►A high percentage of research workers feel nonprofessional requirements of their jobs are keeping them from full creative effort. One solution to this is the better utilization of researchers' talents, turning nonprofessional assignments over to less skilled people. More and more of this is being done, particularly with engineers.

### Here's prescription for success with research

Fortunately, not everyone is at sea on what the purpose of a research department should be and how best to achieve that purpose. E. Duer Reeves, executive vice president of Esso Research and Engineering Company, says the business of industrial research is simply to create a product—technology. He says responsibilities that apply to a research organization are not much different from those that apply to other parts of a company.

►He lists these responsibilities as follows: 1, Know just what technology its company needs; 2, create the needed technology; 3, do everything possible to help the company use technology effectively; 4, carry on its internal operations efficiently and, 5, be an effective member of the management team.

### Tips for carrying out this program

Mr. Reeves addresses himself to the details of making this five-point plan tick. He says that a research department, to know just what technology its company needs, must be well informed on the company's operations and future plans. In creating needed technology, ideas must be evaluated for their workability and marketability and a timetable must be observed. Of point three, he stresses need for marketing new technology, just as new products are marketed. This means telling your own people—in all divisions—what research is doing and how it can help them.

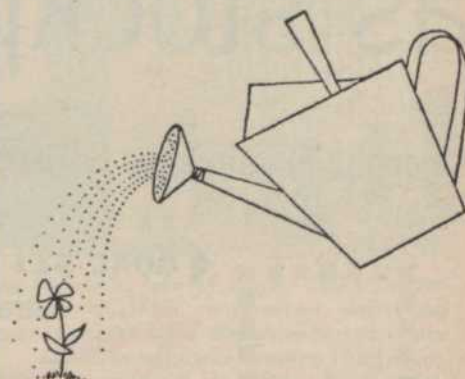
►Of the efficiency of research operations, Mr. Reeves admits caution is needed—because a clumsy move can be construed as one squelching creative work. He urges job analyses for nontechnical personnel, job description, performance measurement, use of electronic computers in planning research operations, utilization of other techniques to assess effectiveness of research. (He calls it "research on research.")

### Why is research important?

One of the best answers is given by Dr. John T. Rettaliata, president of Illinois Institute of Technology. He points out that America's economic future holds marvelous promise, but that conventional methods of operation will not achieve the economy of which we are capable. We will need, he says, further advances in all of the techniques of automation, electronic computers, motion study, materials handling, operations research. We'll also need greater productivity per manhour, since the rate of increase of the labor force will not equal that of population growth.

►These factors all mean that greater emphasis will have to be placed on research, particularly fundamental research, which today accounts for only 10 per cent of total research effort in U. S. "Only in this way," says Dr. Rettaliata, "will we be able to furnish the essentials for further progress."

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# Problems grow as stockpile fills

Decreased markets cause government concern



THE DOMESTIC mining industry is approaching an economic crossroads.

This situation is being brought on by the \$11 billion strategic stockpile.

It is happening because the secret goals or objectives of the strategic stockpile are rapidly being met. As these goals are filled, the demand created by government buying ceases.

Ended stockpile buying, however, will not put the economic squeeze on such as steel, iron, nickel and other metals because the civilian demand is so great. At the same time, some other highly strategic materials, such as tungsten, fluor-spar, columbium-tantalum and lead and zinc will receive an economic shock as the program ends. In fact, some already have.

To cushion the industry against the greatly reduced markets, or in some cases practically no markets at all, the government is considering a number of proposals. These proposals, however, cause some officials to feel that the mining industry may be headed down a road similar in many ways to that traveled by the farm industry.

To aid the industry in the future period of terminated stockpile buying, the Interior Department has the task of working out some sort of long-range program. Here are some

of the most talked about measures for doing this:

1. Subsidies
2. Tariffs or quotas on imports
3. Special tax benefits
4. Reduction of competition by bartering surplus farm goods for cheap foreign strategic materials
5. Federal help for exploration and processing.

The stockpile program was started shortly after World War II as a practical way of having on hand enough of certain strategic materials—primarily the bulk minerals and metals—to meet our war production needs for three years without relying too heavily on foreign sources. Since then, however, the concept of the stockpile has expanded both in size and purpose.

In 1954, President Eisenhower broadened the objectives of the original stockpile to include what is called the long-range objectives over and above the minimum, or original stockpile. The long-range program stresses buying domestically whereas the minimum called for buying when and where defense planners could. The long-range phase calls for buying when the prices are favorable to the government, which incidentally would be at a time when it is advantageous for industry to sell.

About the same time the long-

range stockpile was created, the supplemental stockpile also sprang up. This stockpile is not designed as a defense measure, except that it contains many of the same materials that go into the strategic stockpile. The supplemental stockpile is acquired by bartering surplus farm goods for strategic materials. It is controlled by the Agriculture Department, whereas the strategic stockpile is controlled by the Office of Defense Mobilization. Bartering has the effect of keeping cheap foreign metals off the world market, thus firming U. S. prices.

For all intents and purposes, materials in both the strategic and supplemental stockpiles are locked up from overhanging the market. At present, bartering has been temporarily suspended while Agriculture revises the program.

Another concept has grown up along with the physical stockpiling of goods—that of maintaining what is called the mobilization base. This term, as defense planners use it, means having available for future use a productive capacity that could be called on in time of emergency. An oversimplified example of maintaining this base would be a case in which the government kept an industry in production and the workers on the job even though there is no great demand for the industry's product except in time of war. This would be done solely so production could get into swing when the first shot was fired.

Today the ODM reports that a total of more than 24.5 million tons of material were on hand Dec. 31, 1956. These strategic stuffs are stored at 228 sites, including government vaults, warehouses, leased commercial sites, port storage sites and industrial plants. Last year an inventory of the stockpiled materials was begun which is expected to take two more years to complete. The costs for storage, handling, transporting, administering and guarding the stockpiles run into millions of dollars. For instance, over the 10-years these costs have reached almost \$126 million.

Measured in terms of dollars, the overall objective of the strategic stockpile, including both the minimum and long-range, is \$11 billion of stored critical materials. The figure breaks down this way: The minimum objective is \$6.6 billion, the long-range is an additional \$4.4 billion. Of the total objective, \$6.8 billion is either on hand or on order—\$5.4 billion of the minimum objective and \$1.4 billion of the long-range objective.

The supplemental stockpile has no ceiling, or cut-off point. Latest



figures peg the amount of goods on hand or ordered through barter deals at \$612 million.

It is when the goals are reached that trouble is anticipated. A preview of what may happen was had last summer when the goals for columbium-tantalum, fluorspar, asbestos and tungsten were reached.

To ease these four industries through the period of terminated stockpile buying, the Administration backed a stopgap proposal designed to help the industry until the Interior Department worked out its long-range program. The program is still not complete but should be made public some time early this summer.

The stopgap program called for buying by Dec. 31, 1958, some \$91 million worth of the four minerals. As the first step in this program, \$21 million was earmarked for purchases. ODM officials admitted they did not need the materials from a defense standpoint.

Buying got off to a good start, so good in fact that the buyers ran out of money in December. Most of the money went to the tungsten industry. When the present session of Congress convened, the stopgap buyers asked for \$30 million more. The 1958 budget calls for \$40 million for the program. But economy sentiment in Congress threatens to knock it out completely. However, it could be revived.

Assistant Secretary of the Interior Felix E. Wormser is charged with formulating the long-range program for the mining industry. He readily admits to the difficulties he is having. Mr. Wormser says that if he talks in terms of tariffs or quotas, the State Department gets upset; talk of special tax benefits for the mining industry perturbs the Treasury; and subsidies have made little progress this year with Congress. He gives no hint of what the final program will be.

Speaking of the barter program, Mr. Wormser said he thought it was ingenious. But some other officials do not have the same regard for the swap deals. They say it is only an aspirin-type step and does not relieve the real cause of the trouble, admitting, however, that the program does tend to prop prices and trades perishable for nonperishable products.

The government for some time has been giving financial help for exploration of metals, sometimes footing as much as 75 per cent of the bill under the Defense Minerals Exploration Administration. This type of program is receiving favorable comment from the men close to

(Continued on page 105)

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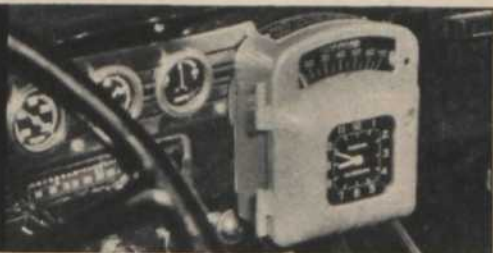
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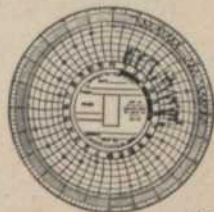
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# Your meetings can **get results**

Seven concepts can help shorten time spent in conferences and reach intended objectives

YOU CAN make your meetings and conferences more productive.

Managers spend from 40 to 65 per cent of their time in meetings, frequently called in a hurry as busy people under stress try to solve a host of complex problems. There seems to be evidence that executives often count on the meeting itself somehow to help solve the problems. Many a meeting starts about like this:

"We better go ahead without the others," says the top man. "A number of important decisions must be made today and I know we're all pressed for time. Let's see now, where's a good place to start? Suppose we tackle this tough one on pricing the de luxe model. . . . Now I don't know whether you're all familiar with the problem here, but . . ."

This manager is depending upon his own and his assistants' considerable experience and skill to get sound decisions made and carried out.

He is depending, also, upon a meeting, an institution which he accepts, often grudgingly, as a necessary means for getting things done.

But in this and in so many meetings, one element is receiving too little attention from the man who schedules the meeting and demands the time of others. Six years of research on the improvement of meetings by Conference Counselors, New York City consulting firm, shows that the ultimate success of a meeting is greatly affected by this factor: How well the meeting is planned. While the human relations skills of all the members are also of great importance, they find that those who plan well are achieving results of far greater value than the time it took to plan.

Here are the planning concepts

that Conference Counselors find more and more crucial:

## **Is a meeting the answer?**

A meeting is merely a communications medium, not a thing unto itself. It is a means by which information is communicated to or from or among a group of people. The purpose of communicating should be to produce some kind of change: in knowledge (report last year's financial picture), attitude (buck up discouraged salesmen), performance (reduce costs) or skills (train new foremen).

Viewing a meeting as just another medium of communication, sound planners ask themselves:

"Is a meeting the best method to use in this situation? Or would a conference call be faster, a memo more specific—or would I be safer to talk to each man individually?"

Instead of being a means, a meeting may become the end in itself, an institution which is resurrected every Monday and is relied upon, like a mechanical computer, to solve the problems fed into it. Often these are individual problems—decisions a manager should probably make on his own. (Some executives admit that they call meetings to get the responsibility for their individual decisions spread around and shared by others.)

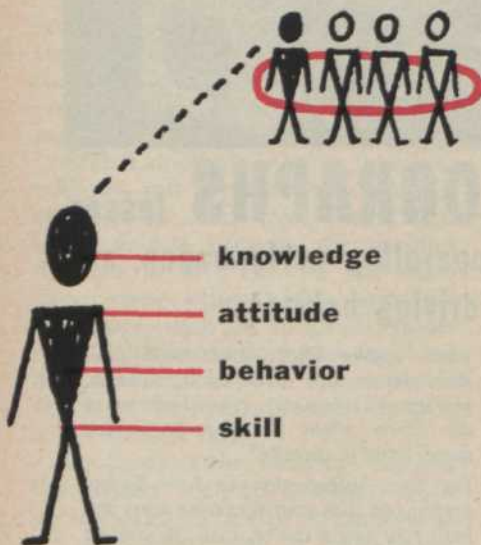
## **Define objectives**

Because it is merely a channel of communication, the objectives of a meeting usually are reached later on—not at the meeting itself.

The top man may have explained a new vacation policy to the staff, but until they have re-explained the policy to their subordinates who then carry out the policy correctly, it's unwise to assume that the goal of a meeting has been reached.

If the goal is to persuade people

**A MEETING** is only a medium of communication, and its purpose should be to produce some kind of change, such as in:





to reduce costs, and at the close of the meeting comments are: "One of the best meetings we've had," "everybody participated," "we're really going to watch the pennies now"—this is not valid evidence that the objectives have been reached.

It is worth while to find the time to establish meeting objectives beforehand and make them as concrete, clear and realistic as possible. Without clear goals you'll have difficulty in evaluating progress—and without a target beyond the meeting to shoot at you may go around in circles in the meeting. You'll be trying to decide what you're trying to decide. Members will lose interest rapidly, get off the track and even become hostile toward each other.

Compare this picture with the committee that has a clear assignment, knows where it's going and how to get there. A contrasting picture of efficient and harmonious operations dramatizes the vital effect of planning upon the way people behave in a meeting.

#### **Scheduling is not planning**

Planning, itself, bears a closer look:

The right kind of planning requires the use of diagnostic skills. Someone has to think through some basic problems (which might take two minutes or two hours): "What are we trying to accomplish anyway? Are we in line with the company policy on this project? How are we tying in with the long range plan?"

Then: "What can we hope realistically to accomplish in this particular meeting?"

Planning too often is merely an activity, whereas it should be a mental process of the planner. It is often confused with scheduling—finding a place for the meeting, getting common agreement on the time, getting out notices.

When the meeting objective is clear, another question is: "What facts do we need?"

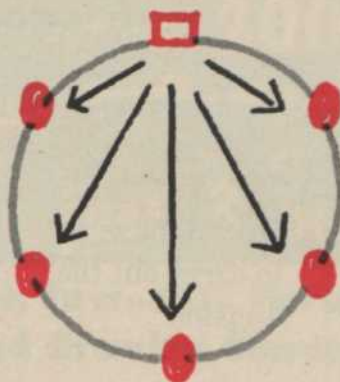
#### **Get the facts**

Adequate data is essential. Lack of it is one of the greatest causes of meeting failure.

The facts may be readily available from the files or they may require real digging by a subcommittee beforehand. But to assume hopefully that somebody will turn up at the right moment with the right dope can be disastrous.

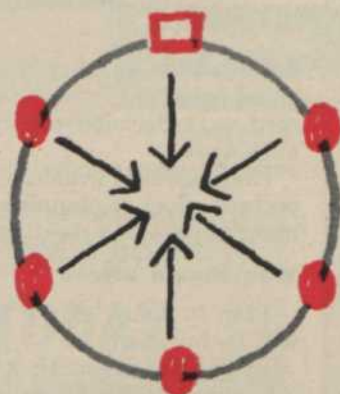
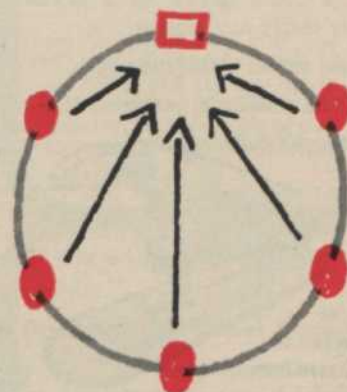
When vital facts are missing, several possible outcomes can be predicted: The meeting may wander around and finally break up for lack of facts; the members may debate endlessly around the issue, dodging the lack of facts or, most

**PLAN** the type of meeting and style of chairmanship to fit meeting's purpose



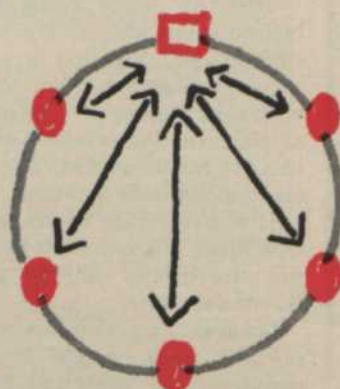
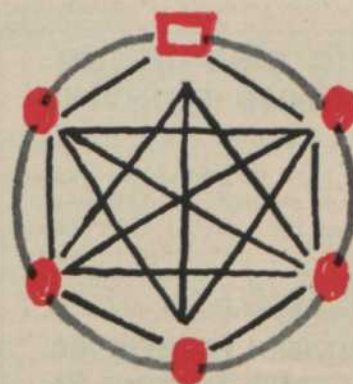
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## meetings *continued*

**WHO SHOULD ATTEND** the meeting?  
Gather all the resources needed, but aim for having the minimum number of people present in order to get the best results

He will have  
to carry out the  
decision

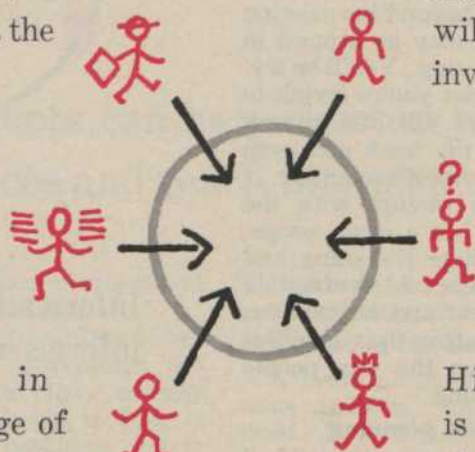
His department  
will become  
involved later on

He has  
all the  
facts

He's a  
good idea  
man

He's in  
charge of  
the project

His blessing  
is needed on  
the project



hazardous of all, they may agree on a compromise of the facts and proceed to a decision on the basis of guesswork.

Here again is evidence of the important effect of planning upon how members act in a meeting.

### Who should attend

Plan in terms of the people who will be involved.

In its bare essentials a meeting is a group of people interacting. Good planners prepare so as to permit the kind of interaction needed to solve the problem.

First, of course, is the question of "Who should attend?"

A good rule-of-thumb: every resource necessary to solving the problem but involving the minimum number people.

There are other considerations, too:

Just as wives plan parties, a businessman should try where possible to put together a group that wears well and can get things done with a minimum of friction. For example, creative sessions work better usually if you can avoid putting boss and subordinate together.

If you're trying to dream up some new ideas, the one may tend to hamper the others' ability to express themselves freely.

On the other hand, where an important issue needs to be faced squarely, the principal antagonists should certainly be represented and real struggle be expected.

When you've selected the members you should ask yourself:

"What private objectives is each member likely to bring to the meeting—and how should these be dealt with?"

This may take only a moment's thought but the moment is worth taking. In a meeting on quality standards for the plant, one supervisor may continually guide the group into a discussion about the particular quality problem he is facing. He is talking about quality but his objectives are in conflict with the meeting's objective. Unless this is recognized early and acted upon, he may subtly (if unintentionally) keep the meeting off its course. These problems are minimized if each member is informed beforehand what the meeting is all about and what he is expected to contribute to its success.

The member may also need to know how he is expected to act, what role he is to play. Often a higher management person is invited to a meeting, the planner intending that he will be a resource if needed. Other members, not knowing his role, urge him to participate and force him to play a major part in decision-making, which was never intended.

Thus, a number of distinct roles of members become identifiable: the consultant, technical resource, observer, recorder, reality tester and others. Sometimes these roles can be assigned beforehand; more often,



they are selected and shifted about in the meeting.

#### Meeting method

There is no one good or bad style of chairmanship. Plan the style to fit the need.

Meetings have often, in the past, been conducted in too autocratic a manner. Overreacting to this tendency, meeting planners today often seem determined to get as much participation as possible, regardless of the subject, the meeting objective or the quality of member contributions. If you want to transmit to your subordinates some easily understood orders from higher management, where there is no choice as to acceptance, getting full participation may be a waste of time. If you involve them to the point where they're being asked to make a decision which has already been made, sooner or later they will catch on to this maneuver and resent it.

But, if the objective is to develop new concern about meeting production quotas, there is a real need for maximum participation in the decision making. While your style of chairmanship should be thought through beforehand, it should not be concealed from the members. Planned manipulation is dangerous and unethical.

#### A meeting is only the beginning

Planning is a continuing process until the objective has been reached. It should not end when the meeting begins.

Some planners prepare excellent agendas beforehand but become victims of their own planning by sticking grimly to the agenda, even though the situation is changing. None of us should feel obliged to create, beforehand, a foolproof agenda. Situations change by the minute and often we can't see the picture clearly until we sit down and look it over through others' eyes.


If you invite members at the start of a meeting to add to and improve the agenda, and let the group plan the time and order for handling each item, you improve your original planning and bring it up to date, and you align members' individual objectives more closely to your meeting goals.

The use of leadership teams in many kinds of meetings is now helping to improve this continuing planning.

Besides the discussion leader, a recorder keeps a running summary of ideas, decisions, etc.; and an observer watches the team operation and steps in to help the group straighten out its procedures when, for example, an impasse is reached on mak-

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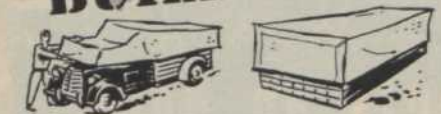
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## MEETINGS continued

ing a decision. The discussion leader, recorder and observer work together before, during and after the meeting.

Defining objectives, getting the facts, selecting and orienting members and planning and replanning meeting procedures—all these are important aspects of the planner's job.

But the techniques and methods are not the main point. Of these we always seem to have more than enough. The real challenge for planners is for more thoughtful basic planning—planning in terms of ends and not means.

Planning alone does not guarantee good meetings. Another vital element is the awareness, sensitivity

and diagnostic skill of all the members of the meeting.

These skills should be further developed by managers, and the new methods of skill training are extremely useful here.

Interestingly, such training never diminishes, but reinforces, the great importance of this other element—thoughtful planning.

HUGH A. GYLLENHAAL  
Senior Associate,  
Conference Counselors

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## BEFORE YOU CALL THAT MEETING, ASK YOURSELF...

### 1. Is a meeting the best way to accomplish this task?

- Would phone calls suffice?
- Could I send out a memo?
- Can I handle informally?

### If a meeting IS best way...

### 2. Should the meeting be held now—or later?

- Are others ready to meet now?
- Are all the facts at hand?
- Will everyone's schedule allow time for proper coverage of the subject?

### 3. What's the purpose of this meeting?

- What do I want to accomplish from it?
- What objectives will others have?
- How does it relate to longer-range objectives?

### 4. Who should attend?

- Which people are absolute "musts"?
- Do we need any special resource people?
- How about people who will be concerned with the decisions we make?
- Could others profit from this experience?

### 5. What advance notice can be given?

- Can I explain objectives of the meeting to members beforehand?
- Should I provide written agenda?
- Can I give them an estimated length of time for the meeting?

### 6. How about facilities?

- Do I have proper room?
- Tables? Chairs? Blackboard? Telephones?
- Ventilation? Stationery?
- Secretary? Special props?



the long-range program. But actually its scope is not broad enough to help as much of the industry as needs it, others say.

Some people argue against the whole concept of a broad stockpile program. They say that in an all-out nuclear war the deciding stage of it would be over in a matter of hours and it would make no difference how much material this country had stashed away. The question of obsolescence also enters the picture. Opponents point out that many of the items stored in the stockpile have already become obsolete because of technological advancements. Hog bristles acquired from China, for instance, once a strategic item for making paint brushes and the like, have now been replaced by nylon bristles to a large extent and government stockpilers have been unloading quantities of the animal product. The same has happened to pyrethrum and quinine.

On the other hand, the case for maintaining the stockpile and especially the mobilization base is argued by government planners. An official points out that we are spending millions to develop industrially backward countries. As these countries develop they will require more of the metals that we now purchase. In the not too distant future, he said, the U. S. will be squeezed for the metal it now buys in the world market.

"We'd better keep and develop what we can," he said. Also, he emphasized our domestic consumption is rising rapidly.

Even the officials who argue strongest for the mobilization base admit that some marginal cost mining industries in the U. S. may likely be allowed to fall by the wayside when stockpile buying is ended. For instance, they point out it would be unwise to try to develop a tin industry in the U. S. at present because there is no evidence of ample deposits. However, a metal such as tungsten, which was built into an industry because of the stockpile program, should be maintained, they say.

One Interior Department official stressed the need for further exploration and research work to see how to process the minerals and metals more cheaply so they can compete successfully with foreign products.

At any rate, the knotty problem of what the government should or will do for the domestic mining industry will be pushing for a decision shortly.

END



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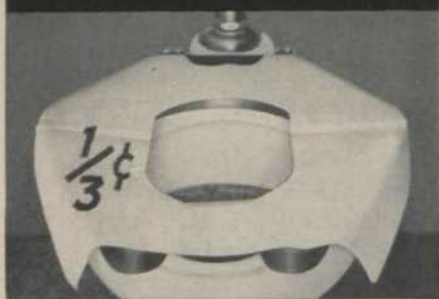
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ON JUNE 1, according to the progressive tally kept by the Bureau of the Census, the population of this country reached 171 million. It is growing at the rate of 330 an hour.

By 1965 we will have more than 190 million.

If these people are to have the kind of life that we are used to and which we hope to improve, our productive capacity will have to increase. We maintain today's living standards and opportunities only because we have more machines, more buildings to house them and more power to drive them than any other people in the world. To do even equally well for tomorrow's additional millions will require more and better machines, bigger buildings, increased power.

The chance of getting them could be much brighter than it is.

The president of a moderate-sized company explains why in his annual report to stockholders. This company's net sales in 1956 were \$45.5 million compared to \$41.7 million in 1955. But profits, after taxes, were \$1.37 million in 1956 compared to \$1.44 million the previous year.

The president wrote: "Volume was at an all-time high. However, in the all important matter of profits we fell below our goals. In common with many other companies, including some of the country's largest, we found it impossible to pass on to customers quickly all of the increases in costs. Competition in some of our markets is very keen. Those who buy from us are also resisting the mounting cost of doing business. This same problem is generally recognized as being paramount in the 1957 national business pattern."

The only difference between this company and many others is that its president is more articulate. In 1956, private business in this country produced goods and services worth \$376 billion from which it

made a profit of \$21.5 billion or 5.7 per cent. In 1955 production was \$356 billion and profits \$21.1 billion, or 5.9 per cent.

Earliest reports this year show that this situation is improved only in spots.

So we have reached a point where increased efficiency's likely reward is a tax penalty. Such surprise endings are amusing in fiction. They can be tragedy in economics because, in our competitive economy, profits are the source of progress. From them comes the venture capital to buy machines and new processes, to maintain research and development. The hope of profits gives people the incentive to save and invest in stocks and bonds.

Without profits all groups in the economy suffer—twice.

Investors are denied a return on their savings, consumers are denied the improved products and lower prices that efficiency might otherwise provide.

In addition, both actually pay the taxes that are levied on business.

Because only people pay taxes.

A recent pamphlet distributed by the General Electric Company explains:

"Businesses are creative clearinghouses where people come together to use their ideas and facilities to do more for each other than would otherwise be possible. Businesses have no resources that are not tied directly or indirectly to people."

It makes this further comment:

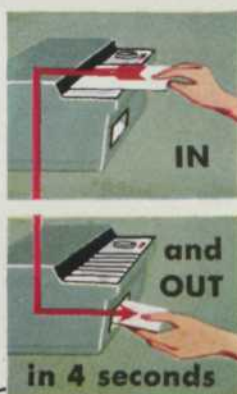
"Tax policies are made by people; they can be changed by people. The most powerful and constructive pressure for less government spending and for tax reforms begins with individuals who are informed on the need of action and who work actively to inform others in their neighborhoods and their communities."



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